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LIFE INSURANCE FACT BOOK

A publication of the
American Council of Life Insurance,
serving the public as a central source of information about life insurance.

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FOREWORD

The Life Insurance Fact Book, now in its 40th year of publication, is presented annually as part of the life insurance business' continuing commitment to public accountability. As the principal source of statistics about the life insurance business, this publication summarizes the year's developments with text, tables and charts, together with historical information.

The Fact Book reports on the United States business of all legal reserve life insurance companies operating in this country, and the total domestic and foreign business of U.S. life companies. Information on life insurance issued by fraternal benefit societies operating in the U.S. and Canada is included in various parts of the text and in statistical material on pages 104 and 105.

Some insurance companies, through parent corporations or by ownership of subsidiaries, engage in other financial services, such as mutual funds. While the Fact Book includes descriptive information on these services, the statistics reflect only insurance operations.

The Fact Book data are derived from annual statements provided by life insurance companies, and through surveys conducted by the Council. Assistance is also given by commercial publishers of life insurance statistics, government agencies and other life insurance organizations.

The constructive comments of many people over the years have helped the Fact Book to become established as a useful and reliable source of information about the life insurance business.

SUZANNE K. STEMNOCK
Program Director
Information and Reference Services

CONTENTS

Key Life Insurance Statistics 5
Life Insurance In 1985 6
Life Insurance Purchases 8
Life Insurance Ownership 15
Ordinary Life Insurance 25
Group Life Insurance 30
Industrial Life Insurance 33
Credit Life Insurance 35
Life Insurance and American Families 36
Annuities 39
Life Insurance and Annuity Benefit Payments 41
Payments to Beneficiaries 43
Payments to Policyholders and Annuitants 47
Benefit Payments Under Supplementary Contracts 50
Health Insurance Benefit Payments 51
Major Pension and Retirement Programs 52
Private Pension Plans With Life Insurance Companies 55
Lapses and Surrenders 58
Income of Life Insurance Companies 59
Earning Rate 64
The Life Insurance Dollar 65
Taxes 67
Reserves and Other Obligations 68
Life Insurance Assets 71
New Investments 74
Government Securities 78
Corporate Securities 80
Mortgages 83
Real Estate 87
Policy Loans 89
Miscellaneous Assets 90
Assets Held in Separate Accounts 91
Life Insurance Companies 92
Employment In Insurance 95
Life Expectancy 96
Causes of Death 98
Death Rate 100
Selection of Risks 102
Other Types of Life Insurance 104
Life Insurance In Various Countries 106
Canada 108
State Insurance Officials 111
Mortality Tables 112
Historic Dates 114
Life Insurance Organizations 118
Glossary 123
Index 129

KEY LIFE INSURANCE STATISTICS

	1975	1984	1985	% Change 1984-83	% Change 1985-84
LIFE INSURANCE IN FORCE IN THE UNITED STATES (000,000 omitted)					
Ordinary	$1,083,421	$2,887,574	$3,247,289	13.5	12.5
Group	904,695	2,392,358	2,561,595	7.8	7.1
Industrial	39,423	30,104	28,250	– 4.0	– 6.2
Credit	112,032	189,951	215,973	11.3	13.7
Total	$2,139,571	$5,499,987	$6,053,107	10.8	10.1
AVERAGE AMOUNTS OF LIFE INSURANCE IN FORCE IN THE UNITED STATES					
Per Family	$ 28,100	$ 58,700	$ 63,400	8.3	8.0
Per Insured Family	$ 33,000	$ 68,300	$ 74,600	8.4	9.2
LIFE INSURANCE PURCHASES IN THE UNITED STATES (000,000 omitted)					
Ordinary	$ 188,003	$ 820,315	$ 910,944	8.9	11.0
Group	95,190†	293,521	319,503	8.1	8.9
Industrial	6,729	943	722	–32.1	–23.4
Total	$ 289,922†	$1,114,779	$1,231,169	8.6	10.4
BENEFIT PAYMENTS IN THE UNITED STATES (000,000 omitted)					
Payments to Beneficiaries	$ 9,192	$ 16,752	$ 18,225	7.0	8.8
Payments to Policyholders	9,679	25,768	27,026	13.8	4.9
Payments to Annuitants	3,665	17,912	21,259	32.1	18.7
Total	$ 22,536	$ 60,432	$ 66,510	16.5	10.1
PREMIUM RECEIPTS OF U.S. LIFE INSURANCE COMPANIES (000,000 omitted)					
Life Insurance	$ 29,336	$ 51,274	$ 60,127	2.0	17.3
Annuity Considerations	10,165	42,859	53,899	40.3	25.8
Health Insurance	19,074	40,671	41,837	6.5	2.9
Total	$ 58,575	$ 134,804	$ 155,863	13.3	15.6
ASSETS OF U.S. LIFE INSURANCE COMPANIES (000,000 omitted)					
Government Securities	$ 15,177	$ 99,769	$ 124,598	30.2	24.9
Corporate Bonds	105,837	259,128	296,848	11.6	14.6
Stocks	28,061	63,335	77,496	– 2.4	22.4
Mortgages	89,167	156,699	171,797	3.8	9.6
Real Estate	9,621	25,767	28,822	15.9	11.9
Policy Loans	24,467	54,505	54,369	0.8	– 0.2
Other Assets	16,974	63,776	71,971	18.0	12.8
Total	$ 289,304	$ 722,979	$ 825,901	10.4	14.2
NET RATE OF INVESTMENT INCOME OF U.S. LIFE INSURANCE COMPANIES (BEFORE FEDERAL INCOME TAXES)					
Including Separate Accounts	6.36%	9.45%	9.63%	—	—
Excluding Separate Accounts	6.44%	9.65%	9.87%	—	—

†Includes Servicemen's Group Life Insurance of $1.7 billion.

Source: American Council of Life Insurance.

LIFE INSURANCE IN 1985

Purchases of life insurance in 1985 exceeded $1.2 trillion, with sales of ordinary life insurance accounting for nearly three-quarters of that amount. Universal and variable life insurance now account for 40% of ordinary sales, up from 11% in 1982.

Life insurance in force also reached an all-time high—$6,053.1 billion, up 10.1% from 1984. The average amount of life insurance per family was $63,400, $4,700 more than in 1984.

Life insurance was owned by 85% of American families; the average amount of life insurance owned by insured families was $74,600.

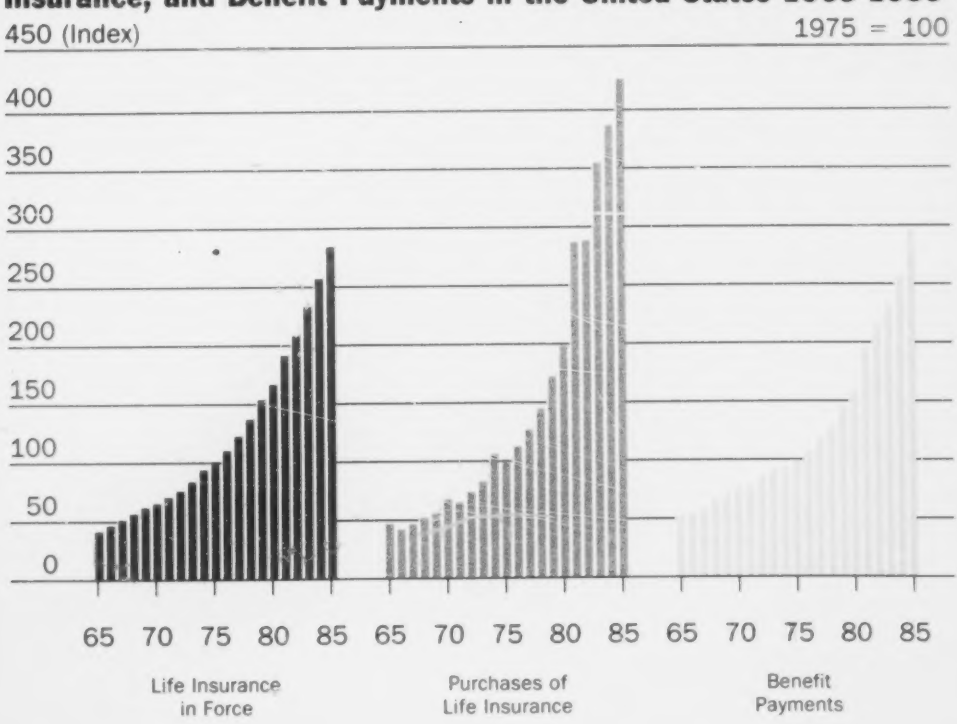
Some 70% of adult Americans owned some form of life insurance—most through legal reserve life insurance companies.

Total premium receipts for all legal reserve life insurance companies increased 15.6%, to $155.9 billion, due in large part to a sharp rise in annuity considerations.

Benefit payments—excluding health insurance—reached a record $66.5 billion, up 10.1%. Payments to beneficiaries in 1985 totaled $18.2 billion. Some $27.0 billion was paid to life insurance policyholders and $21.3 billion to annuitants.

Assets of U.S. life insurance companies totaled $825.9 billion at year-end 1985. This was an increase of $102.9 billion, or 14.2%, from 1984 year-end.

Relative Growth of Life Insurance in Force, Purchases of Life Insurance, and Benefit Payments in the United States 1965-1985



Policy loans outstanding were $136 million less than year-end 1984, and totaled $54.4 billion. They accounted for 6.6% of assets—the lowest proportion since 1968.

The largest percentage increase in investments was in government securities, up 24.9% over year-end 1984, but short of the 30.2% increase in 1984.

The net rate of investment earnings (excluding separate accounts) went up from 9.65% to 9.87% before federal taxes—an all-time high.

Other highlights of the life insurance business in 1985 include:

- Dollar volume of payments to beneficiaries increased 8.8% over 1984. The average size of death benefit payments went up 13.3%.
- In 1985, for the first time, life insurance premiums accounted for a greater percentage of total premiums than the year before. In 1985, 38.6% of premiums came from life insurance, compared with 38.0% in 1984.
- Policy reserves totaled $665.3 billion in 1985, 35.5% of which were life insurance reserves.
- Separate account assets totaled $88.1 billion at the end of 1985, a 26.4% increase over 1984. Bond holdings increased 19.6% in 1985 and now account for the largest proportion of holdings. Stock holdings increased the largest percentage, 40.5%, to 38.8% of separate account holdings.
- Federal income taxes incurred by life insurance companies increased 48.4% over 1984, and amounted to $4.1 billion.

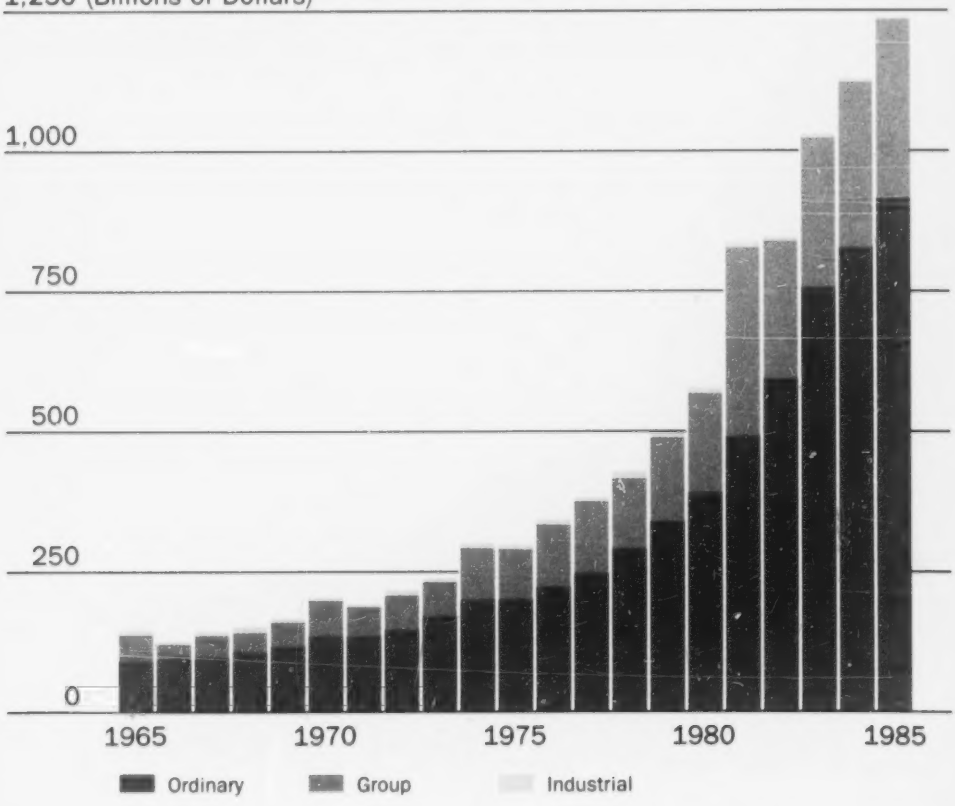
LIFE INSURANCE PURCHASES

Americans purchased $1,231.2 billion of new life insurance in 1985. During 1984, purchases totaled $1,114.8 billion.

People buy life insurance for many reasons, but mainly to provide financial protection for their families if they themselves should die prematurely. A person creates an estate, or adds to one, with a life insurance policy, and the future of that estate is protected as the policy is maintained over the years. Nearly three-fourths of new life insurance protection purchased in the United States in 1985 was bought on an individual basis—that is, by personal or family decision—usually through a life insurance agent. Purchases of ordinary life insurance increased in 1985, totaling $910.9 billion, an increase of 11.0% for the year. This follows an increase of 8.9% in 1984.

Purchases of industrial life insurance, the other type of individual coverage, came to $722 million in 1985, a decrease of $221 million from 1984. Group purchases totaled $319.5 billion. This was $26.0 billion above the 1984 total. Increases resulting from higher salaries or enlarged employee groups are not considered new purchases. Purchases in 1985 included $9.8 billion of new group coverage for employees' dependents.

Life Insurance Purchases in the United States



Purchases of Ordinary Life Insurance in the United States by State

Exclusive of Revivals, Increases, Dividend Additions and Reinsurance Acquired (000,000 omitted)

State	1979	1980	1981	1982	1983	1984	1985
Alabama	$ 5,981	$ 7,014	$ 8,915	$ 10,731	$ 14,283	$ 15,424	$ 16,695
Alaska	628	743	873	1,197	1,684	1,895	2,118
Arizona	4,294	4,852	6,423	8,297	10,265	11,086	12,967
Arkansas	2,597	3,045	3,956	5,475	6,528	6,501	6,903
California	37,573	44,750	58,558	72,400	88,413	91,273	105,211
Colorado	5,809	6,813	8,617	10,510	13,756	14,966	15,895
Connecticut	4,767	5,840	7,460	8,648	11,325	12,203	14,424
Delaware	833	1,108	1,200	1,561	2,122	2,550	2,395
D.C.	1,043	1,335	1,653	2,097	2,430	2,586	3,187
Florida	14,667	17,888	23,084	28,238	36,306	39,922	43,894
Georgia	9,497	11,248	13,813	17,180	22,032	24,384	27,663
Hawaii	1,774	2,084	2,465	2,982	3,846	4,339	5,024
Idaho	1,401	1,680	2,188	2,636	3,288	3,329	3,558
Illinois	17,856	19,473	23,397	27,171	35,624	38,566	43,416
Indiana	7,914	8,513	10,565	12,611	16,372	17,436	19,267
Iowa	4,711	5,149	6,301	7,553	10,149	10,732	11,052
Kansas	4,043	4,486	5,798	6,938	8,977	9,554	10,886
Kentucky	4,287	4,763	5,694	7,213	9,213	10,220	11,295
Louisiana	7,072	8,888	11,448	14,266	17,756	19,139	20,799
Maine	1,126	1,343	1,582	1,875	3,038	3,017	3,582
Maryland	5,984	7,068	8,936	10,320	13,958	15,828	18,049
Massachusetts	7,360	8,287	10,427	11,845	15,990	17,722	20,056
Michigan	10,422	11,044	13,415	15,698	22,372	24,420	26,850
Minnesota	5,995	6,757	8,512	10,674	13,481	14,093	15,750
Mississippi	3,055	3,664	4,669	5,981	7,498	7,999	8,971
Missouri	6,784	7,641	9,634	11,674	14,754	16,197	18,038
Montana	1,119	1,302	1,557	2,011	2,779	2,758	2,963
Nebraska	2,938	3,309	4,183	5,116	6,137	7,011	7,118
Nevada	1,145	1,322	1,677	2,139	2,779	2,909	3,608
New Hampshire	1,335	1,522	1,778	2,037	2,828	3,265	3,669
New Jersey	10,909	12,853	14,912	17,495	24,470	29,238	30,989
New Mexico	1,848	2,112	2,667	3,354	4,142	4,194	4,630
New York	20,630	24,952	30,687	34,351	47,190	54,245	60,552
North Carolina	8,156	9,484	11,979	14,655	20,263	23,685	24,845
North Dakota	1,204	1,446	1,845	2,598	2,911	2,857	2,911
Ohio	15,420	17,188	20,618	25,082	31,691	35,088	37,589
Oklahoma	4,728	6,176	7,872	9,627	11,510	11,688	13,151
Oregon	3,419	3,932	5,113	6,505	7,437	7,480	8,075
Pennsylvania	14,793	16,761	19,533	22,599	31,949	35,193	40,024
Rhode Island	1,370	1,693	2,111	2,228	2,909	3,204	3,644
South Carolina	4,474	5,456	6,712	8,605	10,852	11,969	13,379
South Dakota	1,178	1,331	1,665	2,375	2,625	2,818	3,185
Tennessee	6,744	7,863	9,610	12,631	14,912	16,243	17,641
Texas	24,873	31,362	40,493	50,176	63,524	70,140	78,953
Utah	2,722	3,226	4,407	6,260	7,059	7,281	7,343
Vermont	593	693	796	968	1,247	1,536	1,709
Virginia	8,254	9,578	11,823	14,258	17,973	20,182	21,537
Washington	5,646	6,616	8,688	11,282	13,351	13,057	14,632
West Virginia	1,946	2,142	2,432	2,652	3,849	4,160	3,971
Wisconsin	5,892	6,885	8,069	9,412	11,887	13,034	15,079
Wyoming	762	895	1,085	1,257	1,710	1,699	1,802
Total U.S.	$329,571	$385,575	$481,895	$585,444	$753,444	$820,315	$910,944

Note: The series includes mass-marketed ordinary insurance. Data include long-term individual credit insurance.

Sources: Life Insurance Marketing and Research Association and American Council of Life Insurance.

Life Insurance Purchases in the United States

Exclusive of Revivals, Increases, Dividend Additions and Reinsurance Acquired

	Ordinary		Group		Industrial		Total	
Year	Policies (000 omitted)	Amount (000,000 omitted)	Certificates (000 omitted)	Amount (000,000 omitted)	Policies (000 omitted)	Amount (000,000 omitted)	Number (000 omitted)	Amount (000,000 omitted)
1940	3,855	$ 6,689	285	$ 691	14,017	$3,350	18,157	$ 10,730
1945	4,343	9,859	681	1,265	11,869	3,430	16,893	14,554
1950	5,279	17,326	2,631	6,068	14,924	5,402	22,834	28,796
1955	7,572	30,827	2,217	11,258*	14,356	6,342	24,145	48,427*
1960	8,734	52,883	3,734	14,645	12,287	6,880	24,755	74,408
1965	9,937	83,485	7,007	51,385†	10,492	7,296	27,436	142,166†
1970	10,968	122,820	5,219	63,690†	7,582	6,612	23,769	193,122†
1971	11,281	132,130	5,403	49,407	8,326	7,274	25,010	188,811
1972	11,844	145,479	6,698	55,857	8,123	7,394	26,665	208,730
1973	12,198	162,506	7,065	64,461	7,506	7,224	26,769	234,191
1974	12,763	182,755	7,994	111,622†	6,747	6,680	27,504	301,057†
1975	12,549	188,003	8,146	95,190†	6,397	6,729	27,092	289,922†
1976	13,219	213,784	9,145	104,683	5,962	6,382	28,326	324,849
1977	13,679	247,453	9,509	115,839	5,859	6,504	29,137	369,796
1978	13,987	283,067	9,267	125,129	5,445	6,015	28,699	414,211
1979	14,259	329,571	9,245	157,906	4,457	5,335	27,961	492,812
1980	14,750	385,575	11,379	183,418	2,878	3,609	29,007	572,602
1981	15,838	481,895	11,923	346,702*†	1,791	2,517	29,552	831,114*†
1982	15,614	585,444	11,930	250,532	1,350	1,898	28,894	837,874
1983	17,737	753,444	13,450	271,609	834	1,388	32,021	1,026,441
1984	17,695	820,315	14,605	293,521	712	943	33,012	1,114,779
1985	17,104	910,944	16,243	319,503	533	722	33,880	1,231,169

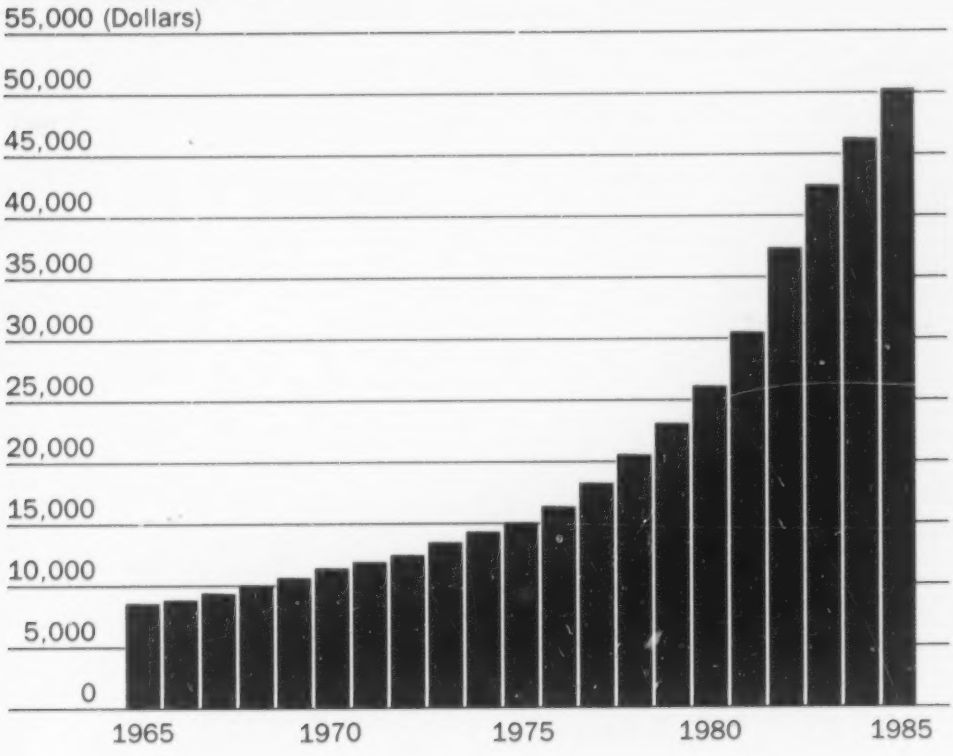
Note: Figures from 1940-1973 exclude all credit life insurance. Beginning with 1974, data include long-term credit insurance (life insurance on loans of more than 10 years' duration).

*Includes Federal Employees' Group Life Insurance of $1.9 billion in 1955 and $84.4 billion in 1981.

†Includes Servicemen's Group Life Insurance of $27.8 billion in 1965, $17.1 billion in 1970, $29.2 billion in 1974, $1.7 billion in 1975 and $45.6 billion in 1981.

Sources: Life Insurance Marketing and Research Association and American Council of Life Insurance.

Average Size Ordinary Life Insurance Policy Purchased in the United States



Analysis of Ordinary Life Insurance Purchases in the United States

	% of Policies		% of Amount	
	1975	1985	1975	1985
SEX OF INSURED				
Male Insureds Under 15	9	7	3	3
Female Insureds Under 15	7	6	2	2
Male Adults	56	53	78	71
Female Adults	28	34	17	24
Total	100	100	100	100
AGE OF INSURED				
Under 15	16	13	5	5
15-24	29	16	23	10
25-34	29	30	40	35
35-44	14	22	20	31
45-54	8	11	9	13
55 and over	4	8	3	6
Total	100	100	100	100
INCOME OF INSURED*				
Under $5,000	5	†	2	†
$5,000-$7,499	18	2	9	1
$7,500-$9,999	20	3	14	1
$10,000-$24,999	49	48	53	32
$25,000-$49,999		34		36
$50,000-$99,999	8	10	22	19
$100,000 or more		3		11
Total	100	100	100	100
SIZE OF POLICY				
Under $2,000	8	1	1	†
$2,000-$4,999	13	4	2	†
$5,000-$9,999	19	9	6	1
$10,000-$24,999	38	18	31	4
$25,000-$49,999	14	20	26	10
$50,000-$99,999	5	25	15	24
$100,000 or more	3	23	19	61
Total	100	100	100	100
TYPE OF POLICY				
Straight Life	33	28	24	12
Limited Payment Life	17	7	8	1
Endowment and Retirement Income	9	†	6	†
Modified Life	6	3	5	2
Level, Decreasing and Modified Term	14	19	31	33
Family Plan	2	†	2	†
with Additional Term	2	†	3	†
Regular Policy with F/P Rider	4	4	5	4
and Additional Term	2	1	3	1
Universal Life	—	24	—	30
with Rider	—	6	—	9
Variable Life	—	1	—	1
with Rider	—	†	—	†
Variable-Universal	—	1	—	1
with Rider	—	†	—	†
Combination	9	6	11	6
Progressive and Other	2	†	2	†
Total	100	100	100	100

Note: Figures exclude credit life insurance.

*Ages 0-14 and persons reporting less than $3,000 income are excluded.

†Less than 0.5%.

Source: Life Insurance Marketing and Research Association.

Of the 33.9 million new life insurance policies and certificates issued during the year, 17.1 million were ordinary policies, 533,000 were industrial policies and 16.3 million were group certificates.

The average size of the ordinary policies being bought continues to increase. In 1975, for example, the average new ordinary policy was $14,980; by 1980, the amount had increased to $26,140; in 1984, to $46,360; and in 1985, to $53,260.

A sample survey of ordinary life insurance purchased by Americans in 1985 showed that 52% of all new policies sold were for people between the ages of 25 and 44, up from 43% in 1975. This increase reflects the shift in the population as the "Baby Boom" generation matures into the prime buying age for insurance.

An analysis of sales of ordinary life insurance had shown a continuing shift toward term insurance since the 1950s. However, the introduction of variable and universal life insurance has had a significant impact on this trend. In terms of volume, universal and variable sales combined totaled 32% in 1984 and 40% in 1985. Meanwhile, traditional whole life dropped from 26% in 1984, to 21% in 1985, and term insurance dropped to 38% in 1985 from a peak of 60% in 1982. In total number of policies sold, term insurance accounted for the same proportion of policies in 1985 as in 1980, 22%. Traditional whole life sales continued to drop, from 75% in 1981 to 46% in 1985. Universal life and variable life accounted for 7% of the policies sold in 1982 and 31% in 1985.

Distribution of Ordinary Life Insurance Purchases in the United States by Plan of Insurance

	Percent of Amount				Percent of Policies*			
Year	Whole Life	Other Permanent**	Term	Total	Whole Life	Other Permanent**	Term	Total
1955	57%	9%	34%	100%	72%	22%	6%	100%
1960	54	5	41	100	77	14	9	100
1965	53	6	41	100	79	11	10	100
1970	54	5	41	100	82	8	10	100
1971	54	5	41	100	81	9	10	100
1972	53	6	41	100	79	9	12	100
1973	51	6	43	100	79	9	12	100
1974	49	5	46	100	79	7	14	100
1975	48	7	45	100	77	8	15	100
1976	47	5	48	100	76	7	17	100
1977	47	3	50	100	77	7	16	100
1978	45	3	52	100	75	6	19	100
1979	45	2	53	100	76	4	20	100
1980	42	1	57	100	75	3	22	100
1981	40	1	59	100	75	2	23	100
1982	40	†	60	100	75	1	24	100
1983	47	†	53	100	76	1	23	100
1984	55	†	45	100	76	1	23	100
1985	62	†	38	100	78	†	22	100

*Policies that include both permanent and term insurance are classified as whole life policies.

**Includes endowment and retirement income policies.

†Less than 0.5%.

Source: Life Insurance Marketing and Research Association.

More women are buying life insurance, and the 1985 sample survey reflects the increased proportion of policies and amounts being purchased on adult female lives. The ratio of adult men to adult women buyers, when measured by policy purchases, narrowed from 56:28 in 1975 to 53:34 in 1985. Measured by amounts, the ratios of men to women were 78:17 in 1975 and 71:24 in 1985.

The average size of policy purchased on women's lives has been increasing faster than for men. According to the survey, the average size policy for women increased by 404% between 1975 and 1985, compared to 333% for men.

Life Insurance Purchases in U.S. Life Insurance Companies

Exclusive of Revivals, Increases and Dividend Additions (000,000 omitted)

Year	Ordinary	Group	Industrial	Total
1921	$ 6,248	$ 128	$1,581	$ 7,957
1925	10,060	1,075	3,143	14,278
1930	11,905	1,381	3,979	17,265
1935	7,550	715	4,033	12,298
1940	7,022	747	3,318	11,087
1945	10,577	1,302	3,512	15,391
1950	18,260	6,237	5,492	29,989
1955	32,207	11,637*	6,399	50,243*
1960	56,183	15,328	6,906	78,417
1965	89,643	52,867†	7,302	149,812†
1970	134,802	65,381†	6,612	206,795†
1971	145,496	55,432	7,651	208,579
1972	159,063	61,920	7,394	228,377
1973	175,629	67,703	7,224	250,556
1974	198,981	117,790†	6,680	323,451†
1975	207,052	102,659†	6,741	316,452†
1976	233,583	112,232	6,382	352,197
1977	277,310	123,844	6,504	407,658
1978	304,136	127,735	6,015	437,886
1979	359,147	162,343	5,335	526,825
1980	461,553	189,558	3,609	654,720
1981	700,125	435,982*†	2,517	1,138,624*†
1982	661,061	256,920	1,898	919,879
1983	971,866	305,528	1,481	1,278,875
1984	1,074,309	314,957	958	1,390,224
1985	1,252,480	375,752	797	1,629,029

Note: Totals represent all life insurance issued by U.S. life companies (including both direct business and reinsurance acquired, and without deducting reinsurance ceded), whether the policyholders are residents of the United States or some other country. Figures from 1921-1973 exclude all credit life insurance. Beginning with 1974, data include long-term credit insurance (life insurance on loans of more than 10 years' duration).

*Includes Federal Employees' Group Life Insurance of $1.9 billion in 1955 and $81.5 billion in 1981.

†Includes Servicemen's Group Life Insurance of $27.4 billion in 1965, $16.8 billion in 1970, $28.8 billion in 1974, $1.7 billion in 1975 and $44.5 billion in 1981.

Sources: *Spectator Year Book*, American Council of Life Insurance and Life Insurance Marketing and Research Association.

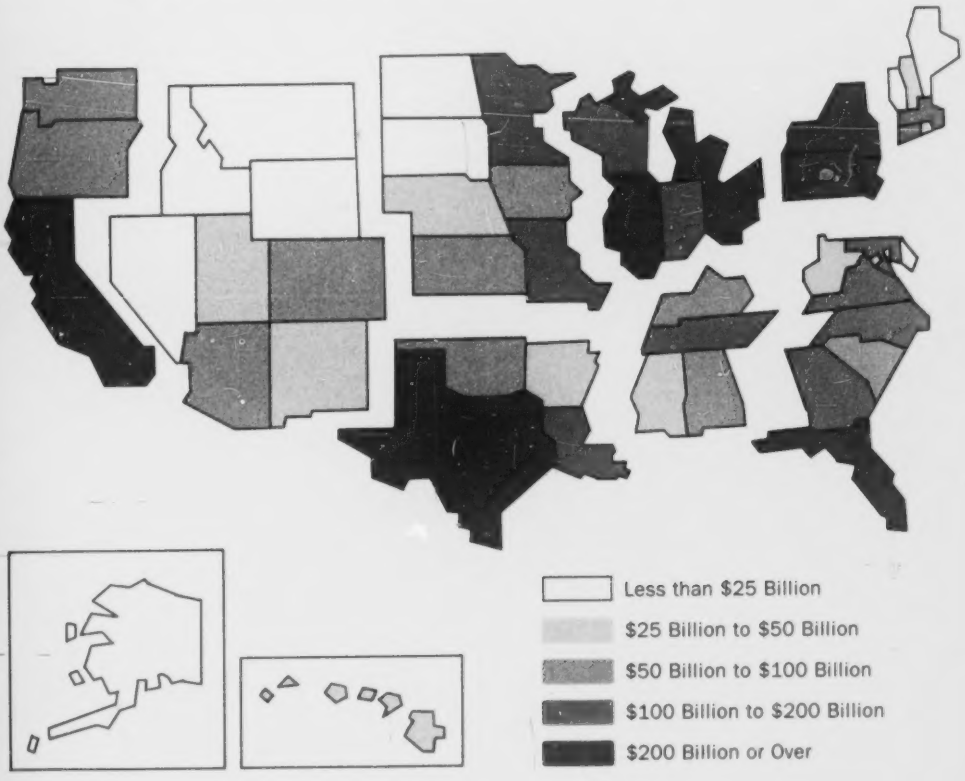
LIFE INSURANCE OWNERSHIP

Life insurance in force in the United States reached a new high of $6,053.1 billion at the end of 1985, an increase of $553.1 billion, or 10.1%, over year-end 1984.

If this were divided equally among all American families, each would have had $63,400 of protection at year-end. Excluding families without life insurance, the average for insured families was about $74,600. Despite significant increa in the amount of coverage, protection for all families was equal to less than 26 months of total disposable personal income per family at the end of 1985.

The East North Central section of the country had the largest amount of coverage, with $1,079.5 billion of life insurance in force there at year-end 1985. The South Atlantic followed with $1,018.9 billion. By state, California had the largest total, $642.8 billion, and New York ranked second with $473.0 billion. The District of Columbia exceeded all other states in ownership per family with an average of $126,800 of insurance per family; Delaware was in second place with $99,400 per family.

Life Insurance In Force in the United States by State 1985



Life Insurance In Force in the United States (000,000 omitted)

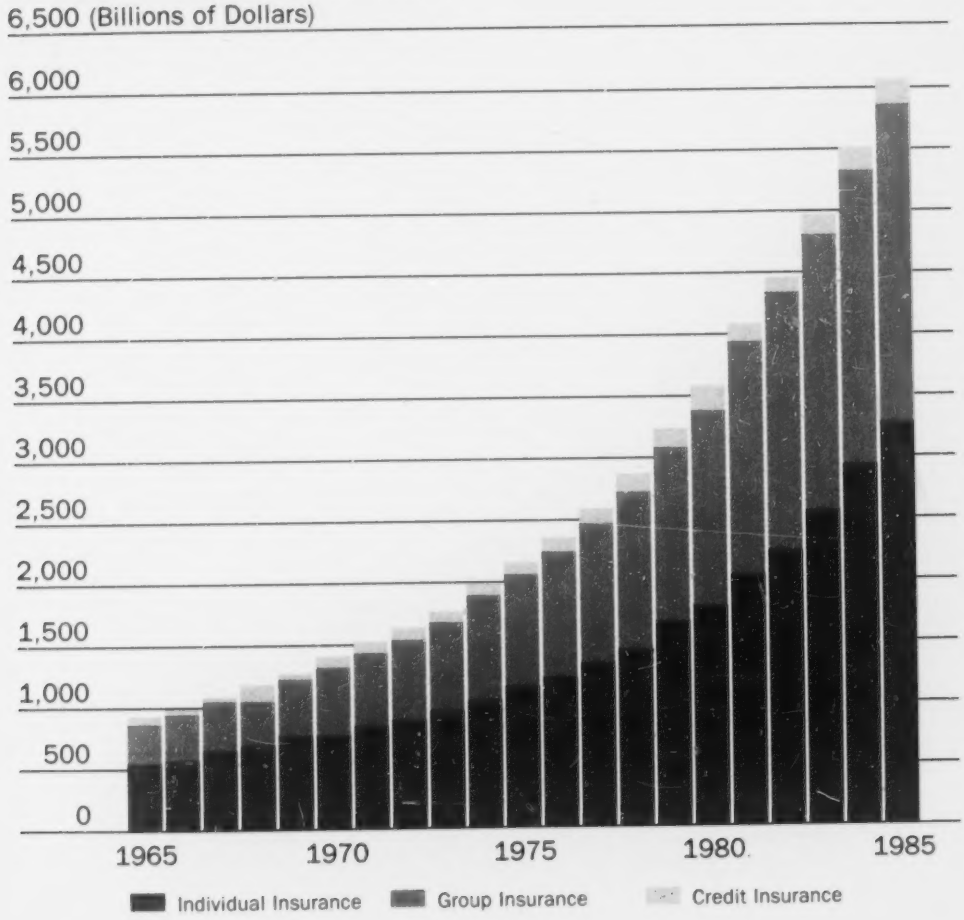
	Ordinary		Group		Industrial		Credit		Total	
Year	No.	Amount	Cert.	Amount	No.	Amount	No.†	Amount	No.	Amount
1900	3	$ 6,124	—	—	11	$ 1,449	—	—	14	$ 7,573
1905	5	9,585	—	—	17	2,278	—	—	22	11,863
1910	6	11,783	—	—	23	3,125	—	—	29	14,908
1915	9	16,650	*	$ 100	32	4,279	—	—	41	21,029
1920	16	32,018	2	1,570	48	6,948	*	$ 4	66	40,540
1925	23	52,892	3	4,247	71	12,318	*	18	97	69,475
1930	32	78,576	6	9,801	86	17,963	*	73	124	106,413
1935	33	70,684	6	10,208	81	17,471	1	101	121	98,464
1940	37	79,346	9	14,938	85	20,866	3	380	134	115,530
1945	48	101,550	12	22,172	101	27,675	2	365	163	151,762
1946	53	112,818	13	27,206	104	29,313	3	729	173	170,066
1947	56	122,393	16	32,026	106	30,406	5	1,210	183	186,035
1948	58	131,158	16	37,068	106	31,253	6	1,729	186	201,208
1949	61	138,862	17	40,207	107	32,087	8	2,516	193	213,672
1950	64	149,116	19	47,793	108	33,415	11	3,844	202	234,168
1951	67	159,109	21	54,398	109	34,870	12	4,763	209	253,140
1952	70	170,875	24	62,913	111	36,448	14	6,355	219	276,591
1953	73	185,007	26	72,913	112	37,781	18	8,558	229	304,259
1954	76	198,599	29	86,410	111	38,664	21	10,046	237	333,719
1955	80	216,812	32	101,345	112	39,682	28	14,493	252	372,332
1956	83	238,348	35	117,399	110	40,109	32	16,774	260	412,630
1957	87	264,949	37	133,905	108	40,139	34	19,366	266	458,359
1958	89	288,607	39	144,772	104	39,646	35	20,536	267	493,561
1959	93	317,158	41	160,163	102	39,809	38	24,998	274	542,128
1960	95	341,881	44	175,903	100	39,563	43	29,101	282	586,448
1961	97	366,141	46	192,794	98	39,451	45	31,107	286	629,493
1962	99	391,048	49	209,950	95	39,638	47	35,341	290	675,977
1963	102	420,808	51	229,477	93	39,672	52	40,666	298	730,623
1964	104	457,868	55	253,620	92	39,833	58	46,487	309	797,808
1965	107	499,638	61	308,078	89	39,818	63	53,020	320	900,554
1966	109	541,022	65	345,945	88	39,663	69	58,059	331	984,689
1967	113	584,570	69	394,501	84	39,215	70	61,535	336	1,079,821
1968	116	633,392	73	442,778	81	38,827	75	68,357	345	1,183,354
1969	118	682,453	76	488,864	79	38,614	78	74,598	351	1,284,529
1970	120	734,730	80	551,357	77	38,644	78	77,392	355	1,402,123
1971	123	792,318	82	589,883	76	39,202	76	81,931	357	1,503,334
1972	126	853,911	85	640,689	76	39,975	78	93,410	365	1,627,985
1973	128	928,192	88	708,322	75	40,632	78	101,154	369	1,778,300
1974	131	1,009,038	94	827,018	71	39,441	84	109,623	380	1,985,120
1975	134	1,083,421	96	904,695	70	39,423	80	112,032	380	2,139,571
1976	137	1,177,672	100	1,002,647	67	39,175	78	123,569	382	2,343,063
1977	139	1,289,321	106	1,115,047	66	39,045	79	139,402	390	2,582,815
1978	142	1,425,095	111	1,243,994	64	38,080	84	163,081	401	2,870,250
1979	146	1,585,878	115	1,419,418	62	37,794	84	179,250	407	3,222,340
1980	148	1,760,474	118	1,579,355	58	35,994	78	165,215	402	3,541,038
1981	149	1,978,080	123	1,888,612	55	34,547	73	162,356	400	4,063,595
1982	146	2,216,388	124	2,066,361	52	32,766	67	161,144	389	4,476,659
1983	146	2,544,275	127	2,219,573	50	31,354	64	170,659	387	4,965,861
1984	145	2,887,574	127	2,392,358	47	30,104	66	189,951	385	5,499,987
1985	142	3,247,289	130	2,561,595	44	28,250	70	215,973	386	6,053,107

Note: "Credit" is limited to life insurance on loans of 10 years' or less duration. "Ordinary" and "Group" include credit life insurance on loans of more than 10 years' duration. Totals for "In the United States" represent all life insurance (net of reinsurance) on residents of the United States, whether issued by U.S. or foreign companies. Beginning with 1959, the data include Alaska and Hawaii.

*Fewer than 500,000. †Includes group credit certificates.

Sources: *Spectator Year Book* and American Council of Life Insurance.

Growth of Individual, Group and Credit Life Insurance In Force in the United States



The principal type of life insurance protection for Americans continues to be ordinary life insurance, purchased individually to meet individual needs. Ordinary insurance in force at the end of 1985 totaled $3,247.3 billion, 53.6% of all life insurance in force in the United States. The number of ordinary policies in force is one and one-half times as many as 25 years ago, while the average size policy in force is over six times as large.

Group life insurance provided $2,561.6 billion of protection at the end of 1985, an increase of $169.2 billion during the year. Most group life insurance contracts are issued to employers, though many are issued to unions, professional associations and other groups. Employees or members receive certificates to denote their participation in the group coverage. Growth of this type of protection has been significant. In 1955, group insurance accounted for 27.2% of all insurance in force and by 1985, the ratio had reached 42.3%. This, however, was a smaller percentage than a year earlier.

Life Insurance in Force in the United States by State 1985

(Thousands of Policies and Millions of Dollars)

State	Ordinary		Group		Industrial		Credit		Total	
	No.	Amount	Cert.	Amount	No.	Amount	No.*	Amount	No.	Amount
Alabama	2,673	$ 52,257	2,231	$ 38,319	5,554	$ 2,236	1,429	$ 4,024	11,887	$ 96,836
Alaska	170	7,401	460	5,919	7	3	234	449	871	13,772
Arizona	1,464	42,873	1,697	24,996	124	99	1,242	3,955	4,527	71,923
Arkansas	1,059	24,628	858	15,270	291	155	508	1,587	2,716	41,640
California	10,314	347,763	12,844	280,790	1,315	1,028	4,237	13,232	28,710	642,813
Colorado	1,784	54,376	2,110	37,726	170	129	988	3,089	5,052	95,320
Connecticut	2,236	53,364	2,582	48,437	155	170	782	2,942	5,755	104,913
Delaware	477	9,364	473	13,698	147	103	390	1,288	1,487	24,453
D.C.	421	9,929	1,143	29,315	423	252	228	435	2,215	39,931
Florida	6,187	145,250	4,946	89,053	2,308	1,539	3,473	10,878	16,914	246,720
Georgia	4,370	90,316	3,280	63,524	2,562	1,537	2,022	6,639	12,234	162,016
Hawaii	582	17,373	862	11,721	3	2	372	1,309	1,819	30,405
Idaho	465	12,429	551	7,071	17	13	285	1,055	1,318	20,568
Illinois	8,477	166,942	7,126	147,680	1,945	1,486	2,501	8,400	20,049	324,508
Indiana	3,851	73,575	2,970	54,798	1,051	744	1,567	4,769	9,439	133,886
Iowa	2,296	46,030	1,477	24,604	142	106	937	2,755	4,852	73,495
Kansas	1,879	41,695	1,345	23,749	208	143	674	2,161	4,106	67,748
Kentucky	2,295	39,368	1,639	30,110	1,172	681	1,049	3,005	6,155	73,164
Louisiana	2,474	67,578	2,130	36,993	3,405	2,237	1,568	4,621	9,577	111,429
Maine	688	12,966	470	9,971	43	41	451	1,303	1,652	24,281
Maryland	3,018	65,060	2,475	54,091	1,268	769	1,281	3,686	8,042	123,606
Massachusetts	3,677	76,638	3,132	74,146	383	363	1,697	4,748	8,889	155,895
Michigan	4,878	100,279	5,447	126,599	1,227	878	3,313	8,904	14,865	236,660
Minnesota	2,372	59,907	2,612	48,556	152	125	1,023	3,436	6,159	112,024
Mississippi	1,115	28,614	1,187	17,176	680	302	1,150	3,017	4,132	49,109
Missouri	3,550	66,006	2,806	56,709	790	543	1,350	3,964	8,496	127,222
Montana	399	10,994	454	5,589	17	11	261	720	1,131	17,314
Nebraska	1,283	29,042	784	14,130	78	55	416	1,357	2,561	44,584
Nevada	311	10,814	472	6,713	7	6	574	3,055	1,364	20,588
New Hampshire	697	14,270	447	9,960	54	54	418	1,214	1,616	25,498
New Jersey	4,974	116,609	4,238	102,290	1,008	978	1,422	5,898	11,642	225,775
New Mexico	642	16,496	628	12,633	57	37	444	1,394	1,771	30,560
New York	10,238	233,224	9,233	224,193	1,194	1,087	5,200	14,466	25,865	472,970
North Carolina	4,719	83,624	2,938	56,894	2,195	1,153	2,319	7,293	12,171	148,964
North Dakota	410	11,159	363	5,473	3	3	179	729	955	17,364
Ohio	7,495	146,175	5,875	114,430	2,055	1,540	2,894	10,023	18,319	272,168
Oklahoma	1,751	45,945	1,415	28,780	260	164	1,035	3,038	4,461	77,927
Oregon	1,060	29,768	1,376	26,083	53	41	639	2,104	3,128	57,996
Pennsylvania	9,138	155,536	6,332	120,574	2,929	2,210	3,449	11,704	21,848	290,024
Rhode Island	707	13,464	730	10,857	84	74	408	1,006	1,929	25,401
South Carolina	2,688	42,983	1,873	30,576	1,736	1,035	1,307	3,496	7,604	78,090
South Dakota	470	11,460	351	4,832	3	3	170	638	994	16,933
Tennessee	2,964	60,249	2,930	50,353	1,681	903	1,738	5,261	9,313	116,766
Texas	9,053	256,675	8,294	165,590	2,403	1,525	5,854	18,232	25,604	442,022
Utah	638	21,972	1,129	13,535	60	37	467	1,619	2,294	37,163
Vermont	357	6,789	297	4,426	19	19	175	588	848	11,822
Virginia	3,593	79,254	4,079	71,598	1,757	1,036	2,789	7,660	12,218	159,548
Washington	1,798	53,617	2,325	42,939	105	74	934	2,915	5,162	99,545
West Virginia	1,064	17,100	915	16,151	410	266	674	2,021	3,063	35,538
Wisconsin	3,034	61,008	3,310	47,496	324	252	1,083	3,473	7,751	112,229
Wyoming	265	7,081	263	4,479	3	3	137	418	668	11,981
Total U.S.	142,520	$3,247,289	129,904	$2,561,595	44,037	$28,250	69,737	$215,973	386,198	$6,053,107

Note: "Credit" is limited to life insurance on loans of 10 years' or less duration. "Ordinary" and "Group" include credit life insurance on loans of more than 10 years' duration.

*Includes group credit certificates.

Source: American Council of Life Insurance.

Life Insurance In Force in the United States by Type and Geographic Division 1985 (000,000 omitted)

Division	Ordinary	Group	Industrial	Credit	Total
New England	$ 177,491	$ 157,797	$ 721	$ 11,801	$ 347,810
Middle Atlantic	505,369	447,057	4,275	32,068	988,769
East North Central	547,979	491,003	4,900	35,569	1,079,451
West North Central	265,299	178,053	978	15,040	459,370
South Atlantic	542,880	424,900	7,690	43,396	1,018,866
East South Central	180,488	135,958	4,122	15,307	335,875
West South Central	394,826	246,633	4,081	27,478	673,018
Mountain	177,035	112,742	335	15,305	305,417
Pacific	455,922	367,452	1,148	20,009	844,531
United States	$3,247,289	$2,561,595	$28,250	$215,973	$6,053,107

Note: "Credit" is limited to life insurance on loans of 10 years' or less duration. "Ordinary" and "Group" include credit life insurance on loans of more than 10 years' duration.

Source: American Council of Life Insurance.

Industrial life insurance is the type which is issued in small amounts, usually with premiums collected weekly or monthly at the policyholder's home. Industrial life decreased for the twelfth straight year to a total of $28.3 billion in force at year-end 1985.

Credit life is another type of life insurance, designed to pay the balance of loans (of 10 years' or less duration) if the borrower should die before repaying the amount due. A total of $216.0 billion of credit life insurance was in force at year-end 1985.

Participating insurance accounted for $3,255.8 billion, or 45.6% of all life insurance in force with U.S. companies at the end of 1985. With this type of life insurance a policyholder receives, in the form of annual dividends, the portion of the premium that is not needed by the company for death payments to beneficiaries, additions to reserves or administrative expenses. The remaining $3,880.0 billion, or 54.4% of life insurance in force was nonparticipating, which has generally lower premium rates but does not provide for policy dividends. Participating life insurance accounted for 37.4% and nonparticipating, 62.6%, of total ordinary insurance in force in U.S. companies.

Mutual life insurance companies, which have no stockholders and whose boards of directors are elected by their policyholders, provided $2,882.4 billion, or 40.4% of total life insurance in force with U.S. life companies at the end of 1985. Stock life insurance companies, which are owned by their stockholders, accounted for $4,253.4 billion, or 59.6% of total life insurance in force at the end of 1985. In general, mutual companies sell participating insurance and stock companies sell nonparticipating insurance. Mutual companies accounted for 52.6% of total group life. Stock life companies provided 64.9% of the total industrial life insurance in force, and they also accounted for 77.2% of credit life in force.

Life Insurance In Force in the United States by Plan

Plan of Insurance	1981 Number of Policies* (000 omitted)	1981 Amount (000,000 omitted)	1981 % of Amount	1985 Number of Policies* (000 omitted)	1985 Amount (000,000 omitted)	1985 % of Amount
ORDINARY						
Whole Life						
Straight Life,						
Premium Paying	68,600	$ 934,100	47.2	73,100	$1,745,200	53.7
Limited Payment Life,						
Premium Paying	25,400	152,200	7.7	18,900	166,700	5.1
Paid-Up	22,900	61,500	3.1	20,700	84,000	2.6
Endowment	9,100	52,000	2.6	5,700	38,300	1.2
Retirement Income With						
Insurance	1,800	18,200	0.9	1,000	11,200	0.4
Term						
Extended	6,900	30,900	1.6	8,200	43,700	1.4
Regular						
Decreasing	6,600	153,700	7.8	4,800	126,400	3.9
Other	7,300	401,000	20.3	10,100	780,700	24.0
Other						
Decreasing	—	87,600	4.4	—	55,300	1.7
Other	—	86,900	4.4	—	195,800	6.0
Total Ordinary	148,600	$1,978,100	100.0	142,500	$3,247,300	100.0
GROUP						
Term						
Decreasing	2,300	$ 54,500	2.9	2,200	$ 58,100	2.3
Other	118,600	1,824,900	96.6	126,600	2,494,600	97.4
Permanent						
Whole Life						
Premium Paying	1,100	7,500	0.4	500	6,400	0.2
Paid-Up	600	1,400	0.1	600	2,000	0.1
Endowment	†	100	††	†	200	††
Retirement Income	†	200	††	†	300	††
Total Group	122,600	$1,888,600	100.0	129,900	$2,561,600	100.0
INDUSTRIAL						
Whole Life						
Straight Life,						
Premium Paying	7,800	$ 5,200	15.1	5,200	$ 3,500	12.4
Limited Payment Life,						
Premium Paying	11,800	8,700	25.2	6,600	4,900	17.4
Paid-Up	26,800	15,100	43.7	25,200	15,300	54.2
Endowment	3,900	2,000	5.8	2,500	1,300	4.6
Term						
Extended	4,800	3,200	9.3	4,500	3,000	10.6
Regular						
Decreasing	—	—	—	—	—	—
Other	100	100	0.3	†	‡	††
Other						
Decreasing	—	‡	††	—	100	0.4
Other	—	200	0.6	—	100	0.4
Total Industrial	55,200	$ 34,500	100.0	44,000	$ 28,200	100.0
CREDIT (TERM)	73,100	$ 162,400	100.0	69,800	216,000	100.0
TOTAL LIFE INSURANCE IN FORCE	399,500	$4,063,600	100.0	386,200	$6,053,100	100.0

Note: "Ordinary" and "Group" include credit life insurance on loans of more than 10 years' duration. "Credit" is limited to life insurance on loans of 10 years' or less duration. In 1985, there were 3,300,000 ordinary policies in force under reduced paid-up options which totaled $6,400,000,000. For reporting purposes, the basic portion of combination plans is listed under the appropriate plan while the additional term portion, by rider or otherwise, is listed under term plans.

*Includes group certificates. †Less than 50,000. ††Less than .05%. ‡Less than $50,000,000.

Source: American Council of Life Insurance.

The data in this chapter do not include life insurance in force in the United States issued by other private insurers, including fraternal societies, and by the federal government. The total life insurance in force, including that issued by these other sources, amounted to over $6.2 trillion at the end of 1985. If this amount were divided equally among American families, each would have $65,000 of coverage. Some 154 million people were insured by some form of life insurance at year-end 1985.

A survey of life insurance in force by plan at year-end 1985 showed that within ordinary insurance ownership, whole life policies accounted for the highest proportion of the amount in force. The size of the average whole life policy in force has increased since 1981 by 80.3%, reaching $17,710 in 1985. As a percentage of total ordinary in force, whole life increased from 58.0% in 1981 to 61.4% in 1985. Endowment and retirement income policies declined, accounting for 1.6% of the ordinary in force in 1985, compared with 3.5% in 1981. During the same time period, ordinary term plans decreased as a share of the total, from 38.5% to 37.0%.

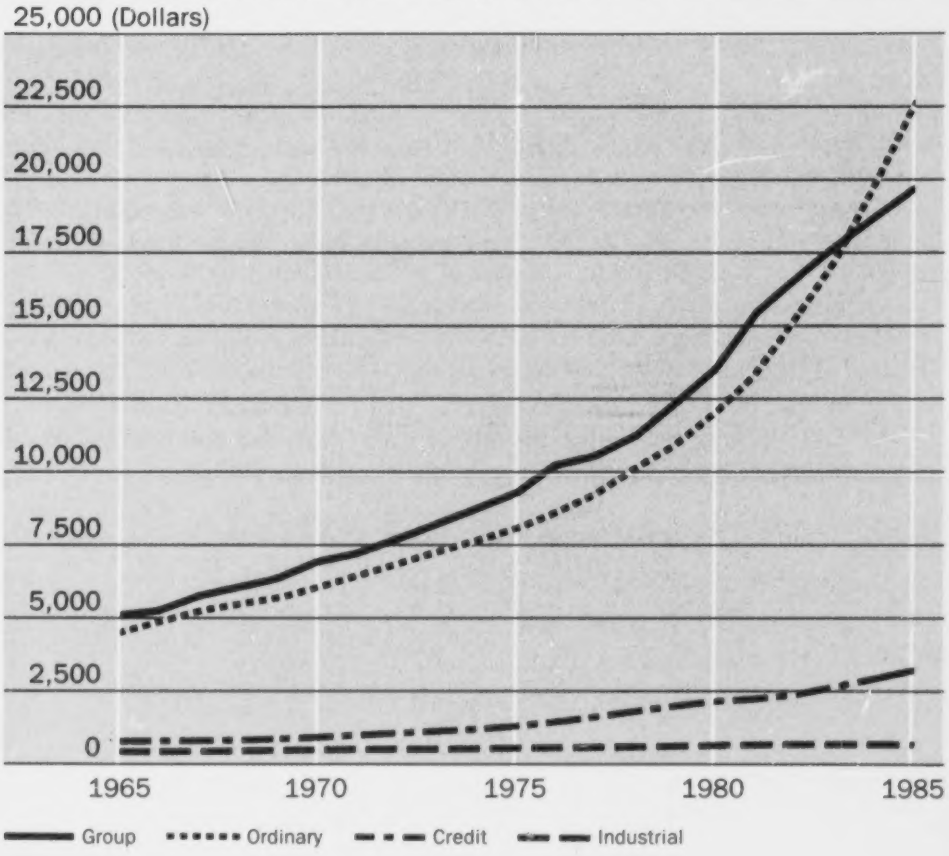
Average Size Life Insurance Policy In Force in the United States

Year	Ordinary	Group	Industrial	Credit
1920	$ 1,990	$ 960	$150	$ 200
1930	2,460	1,700	210	200
1940	2,130	1,700	240	150
1950	2,320	2,480	310	360
1960	3,600	4,030	390	680
1965	4,660	5,060	450	850
1966	4,940	5,360	450	840
1967	5,150	5,730	470	870
1968	5,450	6,070	480	910
1969	5,770	6,470	490	950
1970	6,110	6,910	500	1,000
1971	6,440	7,170	520	1,080
1972	6,790	7,530	530	1,190
1973	7,230	8,010	540	1,300
1974	7,690	8,840	550	1,310
1975	8,090	9,360	570	1,410
1976	8,610	10,010	580	1,580
1977	9,240	10,550	590	1,760
1978	10,010	11,260	600	1,950
1979	10,890	12,350	610	2,120
1980	11,920	13,410	620	2,110
1981	13,310	15,400	630	2,220
1982	15,140	16,630	630	2,410
1983	17,380	17,530	630	2,650
1984	19,970	18,780	630	2,880
1985	22,780	19,720	640	3,100

Note: "Credit" is limited to life insurance on loans of 10 years' or less duration. "Ordinary" and "Group" include credit life insurance on loans of more than 10 years' duration.

Sources: *Spectator Year Book* and American Council of Life Insurance.

Average Size Life Insurance Policy In Force in the United States



Life Insurance and Disposable Personal Income Per Family in the United States

Year	Life Insurance Per Insured Family	Life Insurance Per Family	Disposable Personal Income Per Family	Year	Life Insurance Per Insured Family	Life Insurance Per Family	Disposable Personal Income Per Family
1930	N.A.	$ 2,800	$ 2,500	1972	$26,900	$22,900	$11,800
1935	N.A.	2,400	1,600	1973	28,800	24,400	13,100
1940	N.A.	2,700	1,700	1974	31,200	26,500	13,900
1945	$ 5,200	3,200	3,200	1975	33,000	28,100	15,000
1950	6,000	4,600	4,100	1976	35,000	30,100	16,100
1955	8,700	6,900	5,200	1977	37,700	32,400	17,300
1960	12,700	10,200	6,200	1978	40,800	35,100	19,000
1965	17,800	14,600	7,900	1979	44,800	38,500	20,700
1966	19,000	15,800	8,400	1980	47,300	41,500	22,000
1967	20,300	17,100	8,900	1981	53,200	45,700	23,900
1968	21,500	18,300	9,400	1982	57,300	49,300	24,900
1969	22,800	19,400	9,900	1983	63,000	54,200	26,500
1970	24,400	20,700	10,600	1984	68,300	58,700	28,500
1971	25,500	21,700	11,200	1985	74,600	63,400	29,600

Note: Some data are revised. "Families" here include the units defined by the Bureau of the Census as families, subfamilies and unrelated individuals; these numbered 95,452,000 in 1985. The average amounts shown above are arithmetic means.

N.A.—Not available.

Sources: *Spectator Year Book*, American Council of Life Insurance, Life Insurance Marketing and Research Association and U.S. Department of Commerce.

Average Amount of Life Insurance in Force Per Family by State and by Region 1985

State	Amount	State	Amount	Region	Amount
Alabama	$ 64,300	Montana	$50,300	Northeast	$67,300
Alaska	63,500	Nebraska	68,000	New England	67,500
Arizona	56,200	Nevada	49,500	Middle Atlantic	67,200
Arkansas	45,600	New Hampshire	62,200		
California	57,000	New Jersey	77,700		
Colorado	68,600	New Mexico	55,100	Midwest	65,800
Connecticut	84,400	New York	66,300	E.N. Central	66,300
Delaware	99,400	North Carolina	60,500	W.N. Central	64,600
D.C.	126,800	North Dakota	62,500		
Florida	50,200	Ohio	65,400	South	63,100
Georgia	71,000	Oklahoma	57,900	South Atlantic	63,200
Hawaii	75,600	Oregon	49,500	E.S. Central	58,900
Idaho	53,800	Pennsylvania	62,100	W.S. Central	65,300
Illinois	71,500	Rhode Island	64,100		
Indiana	61,400	South Carolina	61,600	West	57,200
Iowa	62,700	South Dakota	59,400	Mountain	59,400
Kansas	67,400	Tennessee	64,000	Pacific	56,500
Kentucky	51,500	Texas	69,400		
Louisiana	66,500	Utah	64,100	United States	63,400
Maine	51,300	Vermont	52,300		
Maryland	72,100	Virginia	72,700		
Massachusetts	64,900	Washington	52,600		
Michigan	67,300	West Virginia	47,800		
Minnesota	66,900	Wisconsin	60,000		
Mississippi	51,400	Wyoming	59,000		
Missouri	62,400				

Note: "Family" includes primary families, subfamilies and unrelated individuals. The average amounts per family are arithmetic means.

Source: American Council of Life Insurance.

Life Insurance in Force in U.S. Life Insurance Companies

(000,000 omitted)

	Ordinary		Group		Industrial		Credit		Total	
Year	No.	Amount	Cert.	Amount	No.	Amount	No.†	Amount	No.	Amount
1900	3	$ 7,093	N.A.	N.A.	11	$ 1,469	N.A.	N.A.	14	$ 8,562
1905	5	11,054	N.A.	N.A.	17	2,310	N.A.	N.A.	22	13,364
1910	7	13,227	N.A.	N.A.	23	3,177	N.A.	N.A.	30	16,404
1915	10	18,249	*	$ 100	33	4,428	N.A.	N.A.	43	22,777
1920	16	33,451	2	1,636	50	7,190	*	$ 4	68	42,281
1925	24	54,549	3	4,299	74	12,824	*	18	101	71,690
1930	33	79,729	6	9,859	89	18,287	*	73	128	107,948
1935	33	71,937	6	10,395	84	18,297	1	101	124	100,730
1940	38	81,006	9	15,063	87	21,344	3	381	137	117,794
1945	49	104,355	12	22,501	104	28,497	2	370	167	155,723
1950	66	154,394	22	49,330	111	34,391	11	3,903	210	242,018
1955	83	225,554	35	105,657	115	40,798	33	17,072	266	389,081
1960	99	355,608	51	187,323	102	40,446	56	34,812	308	618,189
1965	111	522,694	75	330,836	91	40,498	82	64,595	359	958,623
1970	125	777,163	98	593,675	78	39,179	102	96,455	403	1,506,472
1971	128	839,767	102	639,441	77	39,708	98	101,427	405	1,620,343
1972	131	906,255	103	697,422	77	40,455	102	116,218	413	1,760,350
1973	134	983,388	108	772,134	76	41,087	99	125,702	417	1,922,311
1974	137	1,071,369	112	896,505	72	39,877	105	136,829	426	2,144,580
1975	140	1,153,160	116	978,920	70	39,825	102	140,378	428	2,312,283
1976	144	1,257,738	119	1,082,217	68	39,574	98	151,238	429	2,530,767
1977	147	1,382,356	122	1,198,107	67	39,418	100	168,798	436	2,788,679
1978	151	1,535,982	127	1,333,623	64	38,444	107	199,464	449	3,107,513
1979	156	1,722,106	133	1,529,910	62	38,211	107	217,268	458	3,507,495
1980	216	2,086,569	138	1,719,284	62	40,061	102	210,019	518	4,055,933
1981	264	2,571,344	189	2,155,637	60	39,050	101	211,773	614	4,977,804
1982	252	2,861,783	201	2,346,642	67	41,345	92	210,205	612	5,459,975
1983	243	3,234,716	223	2,531,573	64	39,698	85	219,553	615	6,025,540
1984	208	3,625,164	173	2,567,012	58	34,402	90	246,254	529	6,472,832
1985	196	4,095,996	152	2,730,424	54	31,362	95	278,044	497	7,135,826

Note: Figures represent all life insurance in force with U.S. life companies (including both direct business and reinsurance acquired, and without deducting reinsurance ceded, which amounted to $1,258 billion in 1985), whether the policyholders are residents of the United States or of some other country.

N.A.—Not available.

*Fewer than 500,000 policies.

†Includes group certificates.

Sources: *Spectator Year Book* and American Council of Life Insurance.

Ordinary Life Insurance

Ordinary life insurance protection in the United States increased to $3,247.3 billion at the end of 1985, up 12.5% in one year and three times the amount in force at the end of 1975. Purchases in 1985 totaled $910.9 billion, an increase of $90.6 billion over the previous year.

Ordinary life is the most widely used form of life insurance protection. At year-end 1985, ordinary life accounted for 53.6% of all life insurance in force in the U.S. Ordinary life insurance is typically purchased through life insurance agents and issued under individual policies with face amounts of $1,000 or more, with $10,000 a common minimum. Ordinary life can be broken down into two basic types of protection, whole life (permanent) and term insurance.

Ordinary Life Insurance in Force

In the United States (000 omitted)

Year	No. of Policies	Amount	Year	No. of Policies	Amount
1895	2	$ 4,170	1971	123	$ 792,318
1900	3	6,124	1972	126	853,911
1905	5	9,585	1973	128	928,192
1910	6	11,783	1974	131	1,009,038
1915	9	16,650	1975	134	1,083,421
1920	16	32,018	1976	137	1,177,672
1925	23	52,892	1977	139	1,289,321
1930	32	78,576	1978	142	1,425,095
1935	33	70,684	1979	146	1,585,878
1940	37	79,346	1980	148	1,760,474
1945	48	101,550	1981	149	1,978,080
1950	64	149,116	1982	146	2,216,388
1955	80	216,812	1983	146	2,544,275
1960	95	341,881	1984	145	2,887,574
1965	107	499,638	1985	142	3,247,289
1970	120	734,730			

In U.S. Life Insurance Companies (000,000 omitted)

Year	No. of Policies	Amount	Year	No. of Policies	Amount
1900	3	$ 7,093	1971	128	$ 839,767
1905	5	11,054	1972	131	906,255
1910	7	13,227	1973	134	983,388
1915	10	18,249	1974	137	1,071,369
1920	16	33,451	1975	140	1,153,160
1925	24	54,549	1976	143	1,257,738
1930	33	79,729	1977	147	1,382,356
1935	33	71,937	1978	151	1,535,982
1940	39	81,006	1979	156	1,722,106
1945	49	104,355	1980	216	2,086,569
1950	66	154,394	1981	264	2,571,344
1955	83	225,554	1982	252	2,861,783
1960	99	355,608	1983	243	3,234,716
1965	111	522,694	1984	208	3,625,164
1970	125	777,163	1985	196	4,095,996

Note: Data include group credit life insurance on loans of more than 10 years' duration. Totals for "In the United States" represent all life insurance (net of reinsuance) on residents of the United States, whether issued by U.S. or foreign companies. Totals for "In U.S. Life Insurance Companies" represent all life insurance in force with U.S. companies (including both direct business and reinsurance acquired, and without deducting reinsurance ceded), whether the policyholders are residents of the United States or of some other country.

Sources: *Spectator Year Book* and American Council of Life Insurance.

Whole life insurance offers more than death protection. Unlike term policies, whole life insurance builds cash value that can help families meet financial emergencies, pay for special goals or provide income for retirement years.

Cash value of life insurance policies is a by-product of the level premium system of whole life insurance. As the mortality rate increases with age, the cost of life insurance increases. However, under the level premium approach, the annual premium remains the same, despite the increasing risk of death.

Although the premium charged in the earlier years is higher than the actual cost of the insurance, in later years it is substantially lower than the actual cost of protection. The excess amount of each premium in the early years is held in

Mass-Marketed Ordinary Life Insurance In Force By Type and by Size of Insured Group 1983

	Number of Groups	Number of Members*	Insurance in Force		Average Amount of Insurance Per Member
			Amount	% of Amount	
TYPE OF GROUP					
Related to Employment or Occupation					
Employer-Employee	7,220	356,000	$ 5,226,000,000	19.5	$14,680
Union and Joint Employer-Union	380	2,000	19,000,000	.1	9,500
Multiple Employer Trusts	400	2,000	68,000,000	.3	34,000
Professional Society	80	154,000	3,344,000,000	12.5	21,714
Employee Association	80	140,000	2,504,000,000	9.3	17,886
Other—Related to Employee Benefit Program	130	13,000	265,000,000	1.0	20,385
Other—Not Related to Employee Benefit Program	20	2,000	38,000,000	.1	19,000
Total	8,310	669,000	$11,464,000,000	42.8	17,136
Not Related to Employment or Occupation					
Fraternal Society	1,960	82,000	$ 256,000,000	1.0	3,122
Savings or Investment Group	60	30,000	517,000,000	1.9	17,233
Credit Card Holders	10	716,000	8,950,000,000	33.4	12,500
Mortgage Insurance	1,510	245,000	4,086,000,000	15.2	16,678
Students	140	79,000	744,000,000	2.8	9,418
Credit Unions	1,500	20,000	532,000,000	2.0	26,600
Other	2,160	67,000	249,000,000	.9	3,716
Total	7,340	1,239,000	$15,334,000,000	57.2	12,376
Total All Groups	15,650	1,908,000	$26,798,000,000	100.0	14,045
SIZE OF GROUP					
Fewer than 10 Members	N.A.	62,000	$ 620,000,000	2.3	10,000
10-24 Members	N.A.	30,000	375,000,000	1.4	12,500
25-99 Members	N.A.	147,000	1,190,000,000	4.5	8,095
100-499 Members	N.A.	238,000	3,221,000,000	12.0	13,534
500 or More Members	N.A.	1,431,000	21,392,000,000	79.8	14,949
Total All Groups	15,650	1,908,000	$26,798,000,000	100.0	14,045

Note: Data by type of group are estimated on the basis of reports from life insurance companies having 92% of the total amount of mass-marketed ordinary life insurance in force in the United States (excluding credit life) at year-end 1983; and data by size of group are estimated from companies having 83%.

*Includes duplication where individuals are included in more than one group.

N.A.—Not available.

Source: American Council of Life Insurance.

reserve, which along with interest earned and future level premiums, assures that funds will be available to cover the increasing risk of death as the policyholder grows older. The policyholder who decides to give up the protection by surrendering the policy is entitled to a share of the company's reserves. The measure of this share is the cash value.

Term insurance policies offer protection only and most do not build up cash value. The premiums are lower than whole life policies of the same amounts, but increase with each renewal of the term policy, reflecting higher mortality rates at older ages.

Surveys of life insurance in force by plan show that among ordinary insurance, permanent policies account for the highest proportion, 63.0% in 1985. Term insurance, including the term portion of combination plans, decreased from 38.5% in 1981 to 37.0% in 1985.

One form of ordinary life insurance that has come into wider use in recent years is mass-marketed, wholesale insurance. It is sold on an individual basis to members of a group, usually as term life insurance policies with automatic renewal provisions. (In contrast, group life insurance is issued in the form of a master policy, under which certificates are issued to the individuals covered.) At year-end 1985, $26.1 billion of mass-marketed wholesale ordinary life was in force in the United States. New issues of mass-marketed ordinary that year amounted to $5.0 billion.

A survey of mass-marketed ordinary life insurance in force at year-end 1983 shows that coverage of employer-employee and professional society groups accounted for 32.0% of the total amount of mass-marketed ordinary in force. The average amount of insurance for all employees with coverage related to employment or occupation was $17,136.

For policyholders with coverage not related to employment or occupation, the average amount of coverage was $12,376. Credit card holders accounted for 33.4% of the amount in force, while policyholders with mortgage insurance and students accounted for an additional 18.0%.

Distribution of the Amount of Ordinary Life Insurance In Force in the United States by Plan of Insurance

Year	Whole Life	Other Permanent*	Term	Total
1954	65.5%	18.3%	16.2%	100.0%
1957	65.8	13.9	20.3	100.0
1962	66.1	9.5	24.4	100.0
1966	65.9	7.3	26.8	100.0
1970	64.3	7.2	28.5	100.0
1974	63.0	6.0	31.0	100.0
1977	60.9	5.8	33.3	100.0
1981	58.0	3.5	38.5	100.0
1985	61.4	1.6	37.0	100.0

Note: Data for missing years not available.

*Includes endowment and retirement income policies.

Sources: American Council of Life Insurance.

Several innovative forms of ordinary life insurance have been introduced in recent years, among them variable, universal, adjustable and variable premium life.

The assets underlying benefits of variable life insurance are held in separate accounts invested primarily in equity-type securities. The death payment increases or decreases depending on investment results, but there is a guaranteed minimum death benefit.

By the end of 1985, $29.1 billion of variable life insurance was in force in the United States. Over $8.8 billion was purchased in 1985. Sale of this form is specifically authorized in all fifty states; it is not authorized in the District of Columbia.

Adjustable life insurance allows an individual to switch protection from term insurance to whole life and back again, as needs change. The adjustable life policy is flexible; its holder can, within limits, raise or lower the face amount of the policy, increase or decrease the premium, and lengthen or shorten the protection period.

Variable premium life is another new "inflation-era" whole life type of protection. As inflation rises, driving interest rates higher and increasing investment income, the premium decreases.

Universal life insurance, first introduced in 1979, is another approach to life insurance—an attempt to make it "inflation-proof." Universal life is a flexible premium policy that allows the policyholder to change the death benefit from time to time and vary the amount or timing of premium payments. Premiums are credited under the policy; mortality charges and expense charges are deducted and interest is credited at rates which may change from time to time. The cash value at any time reflects these credits and charges. Some $563.6 billion of universal life insurance was in force in the United States at year-end 1985. Sales during 1985 totaled $289.9 billion.

An even newer policy type combines the premium flexibility of universal life insurance with a death benefit that varies according to the investment performance of the assets underlying the contract. As of year-end 1985, $6.1 billion of this new policy type, called flexible premium variable or universal-variable life insurance, was in force.

Ordinary life is principally used for family protection but it is also widely used for business purposes. Life insurance may be used by a business to protect against the economic loss to the firm that would be caused by the death of the owner or of a key employee.

Variable, Universal and Flexible Premium Variable Life Insurance in Force (000 omitted)

Year	Variable Life Insurance		Universal Life Insurance		Flexible Premium Variable Life Insurance	
	Policies	Amount	Policies	Amount	Policies	Amount
IN U.S. COMPANIES						
1976	2	$ 46,541	—	—	—	—
1977	6	168,632	—	—	—	—
1978	8	224,497	—	—	—	—
1979	12	382,716	N.A.	N.A.	—	—
1980	27	965,576	N.A.	N.A.	—	—
1981	92	3,720,739	61	$ 4,868,293	—	—
1982	192	7,636,076	500	40,439,550	—	—
IN THE UNITED STATES						
1983	341	13,885,000	1,642	131,309,000	—	—
1984	507	21,506,000	4,007	319,922,000	*	**
1985	615	29,055,000	6,836	563,609,000	106	$6,052,000

N.A.—Not available.

Note: Excludes reinsurance assumed.

*Fewer than 500.

**Less than $500,000.

Source: American Council of Life Insurance.

Group Life Insurance

At the end of 1985, group life insurance in the United States totaled $2,561.6 billion. This amount represented a 7.1% increase in one year and is nearly triple the amount at the end of 1975. Group protection amounted to 42.3% of life insurance in force in the United States at the end of 1985.

Group life insurance set up under new or revised group contracts in the United States in 1985 totaled $319.5 billion. One-half of the group life purchased in 1985 was issued under new contracts. The remainder represented increases under "old" contracts to cover additional groups of employees or to provide higher benefit levels. Group life insurance is a near-universal employee benefit in the United States.

Group Life Insurance in Force

In the United States (000 omitted)

Year	No. of Master Policies	No. of Certificates	Amount	Year	No. of Master Policies	No. of Certificates	Amount
1912	*	12	$ 13,000	1972	326	85,102	$ 640,689,000
1915	*	120	100,000	1973	338	88,385	708,322,000
1920	6	1,600	1,570,000	1974	359	93,567	827,018,000
1925	12	3,200	4,247,000	1975	378	96,693	904,695,000
1930	19	5,800	9,801,000	1976	404	100,138	1,002,647,000
1935	18	6,400	10,208,000	1977	437	105,649	1,115,047,000
1940	23	8,800	14,938,000	1978	495	110,445	1,243,994,000
1945	31	11,500	22,172,000	1979	559	114,893	1,419,418,000
1950	56	19,288	47,793,000	1980	586	117,762	1,579,355,000
1955	89	31,649	101,345,000	1981	631	122,611	1,888,612,000
1960	169	43,602	175,903,000	1982	636	124,279	2,066,361,000
1965	234	60,930	308,078,000	1983	635	126,628	2,219,573,000
1970	304	79,844	551,357,000	1984	634	127,405	2,392,358,000
1971	312	82,320	589,883,000	1985	642	129,904	2,561,595,000

In U.S. Life Insurance Companies (000 omitted)

Year	No. of Master Policies	No. of Certificates	Amount	Year	No. of Master Policies	No. of Certificates	Amount
1912	*	12	$ 13,000	1972	336	103,398	$ 697,422,000
1915	*	122	100,000	1973	349	107,977	772,134,000
1920	6	1,700	1,636,000	1974	369	112,123	896,505,000
1925	12	3,221	4,299,000	1975	388	115,928	978,920,000
1930	20	5,791	9,859,000	1976	422	119,078	1,082,217,000
1935	19	6,191	10,395,000	1977	448	121,924	1,198,107,000
1940	22	8,833	15,063,000	1978	506	126,697	1,333,623,000
1945	31	11,507	22,501,000	1979	571	132,820	1,529,910,000
1950	56	21,944	49,330,000	1980	618	138,038	1,719,284,000
1955	92	35,234	105,657,000	1981	808	189,594	2,155,637,000
1960	182	51,212	187,323,000	1982	903	200,913	2,346,642,000
1965	247	74,728	330,836,000	1983	826	223,483	2,531,573,000
1970	318	97,693	593,675,000	1984	687	173,508	2,567,012,000
1971	325	102,313	639,441,000	1985	668	151,837	2,730,424,000

Note: Data include group credit life insurance on loans of more than 10 years' duration. Totals for "In the United States" represent all life insurance (net of reinsuance) on residents of the United States, whether issued by U.S. or foreign companies. Totals for "In U.S. Life Insurance Companies" represent all life insurance in force with U.S. companies (including both direct business and reinsurance acquired, and without deducting reinsurance ceded), whether the policyholders are residents of the United States or of some other country.

*Fewer than 500 policies.

Sources: *Spectator Year Book* and American Council of Life Insurance.

Many group life plans provide for coverage on the lives of dependents of group members. Many also extend employees' group protection after retirement, usually in reduced amounts. Coverage on dependents totaled over $73.4 billion at the end of 1985.

One form of group insurance is group mortgage insurance issued through lending agencies. At year-end 1985, there was $44.0 billion of group mortgage insurance in force in the United States.

A recent development in the area of group life insurance concerns survivor benefits. Benefits are normally described as a continuing monthly payment to the surviving spouse. Payments may extend for life or to the age at which Social Security retirement payments become available, but cease on remarriage. Contingent benefits to dependent children in the event of the spouse's death are also available. The initial value of these survivor benefits can range from three to 10 times an employee's annual salary. Group life insurance in force represented by these survivor benefits amounted to $38.3 billion at year-end 1985.

A survey of group life insurance in force at year-end 1983 shows that 76.2% of the master policies covered employer-employee groups, accounting for 88.1% of the total amount of group life insurance in force. The average coverage per employee was $26,331.

Plans administered by unions, or jointly by unions and employers, accounted for 0.7% of the master policies and 2.1% of the total amount of group insurance at the end of 1983, with coverage per employee averaging $7,953. Multiple employer trusts represented 2.1% of the amount in force and averaged $16,818 of coverage per member.

Professional societies, employee associations and other groups indirectly related to employment or occupation accounted for 0.5% of the master policies and 3.4% of the total group amount. Savings or investment groups accounted for 3.9% of the master policies.

Employee and Dependent Coverage Under Group Life Insurance in the United States 1985

	Number of Master Policies	Amount
PURCHASED DURING YEAR		
Primary Coverage, Employee and Other	186,170	$297,148,000,000
Survivor Benefit Coverage	N.A.	1,418,000,000
Dependent Coverage	7,120*	9,812,000,000
Mortgage Insurance Issued Through a Lending Agency	900	11,125,000,000
Total	187,070	$319,503,000,000
IN FORCE AT END OF YEAR		
Primary Coverage, Employee and Other	635,680	$2,405,900,000,000
Survivor Benefit Coverage	N.A.	38,312,000,000
Dependent Coverage	41,770*	73,430,000,000
Mortgage Insurance Issued Through a Lending Agency	5,980	43,953,000,000
Total	641,660	$2,561,595,000,000

*These policies cover employees as well as dependents and are also included with employee master policies.

N.A.—Not available.

Source: American Council of Life Insurance.

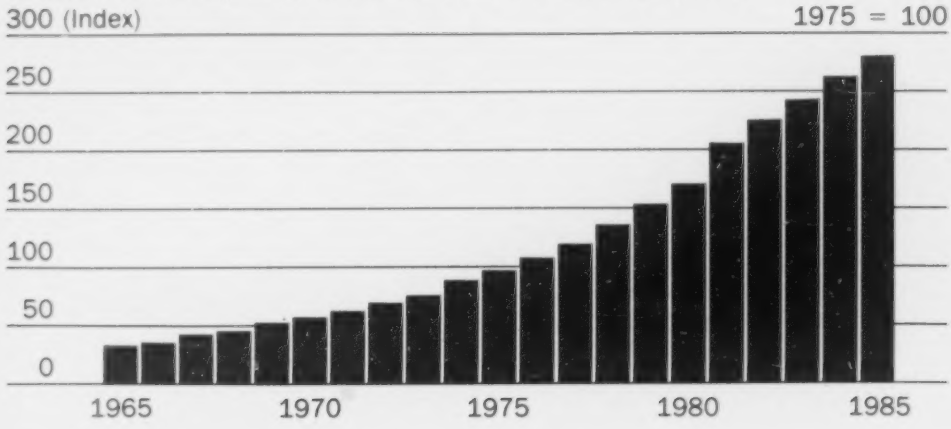
Group Life Insurance In Force by Type and by Size Of Insured Group In the United States 1983

	Number of Master Units	Number of Members (000 omitted)	Insurance in Force		Average Amount of Insurance Per Member
			Amount (000,000 omitted)	% of Amount	
TYPE OF GROUP					
Related to Employment or Occupation					
Employer-Employee	483,810	62,092	$1,634,942	88.1	$26,331
Union and Joint Employer-Union	4,360	4,967	39,504	2.1	7,953
Multiple Employer Trusts	110,600	2,335	39,271	2.1	16,818
Professional Society	780	678	28,047	1.5	41,367
Employee Association	1,130	1,364	32,141	1.7	23,564
Other—Related to Employee Benefit Program	860	419	3,963	0.2	9,458
Other—Not Related to Employee Benefit Program	120	15	52	*	3,467
Total	601,660	71,870	$1,777,920	95.7	24,738
Not Related to Employment or Occupation					
Fraternal Society	210	151	$ 2,115	0.1	14,007
Savings or Investment Group	25,070	35,823	28,796	1.6	804
Credit Card Holders	70	102	1,328	0.1	13,020
Mortgage Insurance	5,640	1,990	39,845	2.2	20,023
Other	2,330	370	4,842	0.3	13,086
Total	33,320	38,436	$ 76,926	4.3	2,001
Total All Groups	634,980	110,306	$1,854,846	100.0	16,815
SIZE OF GROUP					
Fewer Than 10 Members	N.A.	2,349	$ 26,434	1.4	11,253
10-24 Members	N.A.	3,805	42,670	2.3	11,214
25-99 Members	N.A.	9,598	124,809	6.7	13,004
100-499 Members	N.A.	12,293	175,006	9.5	14,236
500 or More Members	N.A.	82,261	1,485,927	80.1	18,064
Total All Groups	634,980	110,306	$1,854,846	100.0	16,815

Note: Data exclude dependent coverage, Federal Employees' Group Life Insurance, and Servicemen's Group Life Insurance. Group credit life insurance on loans of over 10 years' duration is included.

*Less than .05%. N.A. = Not available. Source: American Council of Life Insurance.

Growth of Group Life Insurance in the United States



Industrial Life Insurance

Industrial life insurance policies are issued for small amounts, usually less than $1,000, and the premiums generally are paid weekly or monthly to an agent who calls at the policyholder's home. Nine out of 10 industrial policies in force have cash value elements.

Total industrial life insurance coverage in the United States was $28.2 billion at the end of 1985. This amount reflected a decrease of $1.9 billion in the year. The average size industrial life insurance policy in force was $640 in 1985.

Purchases of industrial life insurance in 1985 amounted to $722 million, down $221 million from the previous year.

Industrial Life Insurance In Force

In the United States (000,000 omitted)

Year	No. of Policies	Amount	Year	No. of Policies	Amount
1895	7	$ 818	1971	76	$39,202
1900	11	1,449	1972	76	39,975
1905	17	2,278	1973	75	40,632
1910	23	3,125	1974	71	39,441
1915	32	4,279	1975	70	39,423
1920	48	6,948	1976	67	39,175
1925	71	12,318	1977	66	39,045
1930	86	17,963	1978	64	38,080
1935	81	17,471	1979	62	37,794
1940	85	20,866	1980	58	35,994
1945	101	27,675	1981	55	34,547
1950	108	33,415	1982	52	32,766
1955	112	39,682	1983	50	31,354
1960	100	39,563	1984	47	30,104
1965	89	39,818	1985	44	28,250
1970	77	38,644			

In U.S. Life Insurance Companies (000,000 omitted)

Year	No. of Policies	Amount	Year	No. of Policies	Amount
1900	11	$ 1,469	1971	77	$39,708
1905	17	2,310	1972	77	40,455
1910	23	3,177	1973	76	41,087
1915	33	4,428	1974	72	39,877
1920	50	7,190	1975	70	39,825
1925	74	12,824	1976	68	39,574
1930	89	18,287	1977	67	39,418
1935	84	18,297	1978	64	38,444
1940	87	21,344	1979	62	38,211
1945	104	28,497	1980	62	40,061
1950	111	34,391	1981	60	39,050
1955	115	40,798	1982	67	41,345
1960	102	40,446	1983	64	39,698
1965	91	40,498	1984	58	34,402
1970	78	39,179	1985	54	31,362

Note: Totals for "In the United States" represent all life insurance (net of reinsurance) on residents of the United States, whether issued by U.S. or foreign companies. Totals for "In U.S. Life Insurance Companies" represent all life insurance in force with U.S. companies (including both direct business and reinsurance acquired, and without deducting reinsurance ceded), whether the policyholders are residents of the United States or of some other country.

Sources: *Spectator Year Book* and American Council of Life Insurance.

Industrial insurance represented 0.5% of all legal reserve life insurance in force in the U.S. at the end of 1985, compared with 4.4% two decades before. This decline has been due largely to the economic gains of American workers, who need and now can buy more life insurance protection than industrial policies normally provide. The increased availability of group life insurance through one's employer has also been an important factor. On the other hand, industrial life insurance, as well as a sizable segment of ordinary life insurance which is on a debit basis, continues to fill a definite need of many lower-income families.

Home Service Life Insurance. In recent years, industrial life insurance and monthly debit ordinary have come to be known as home service life insurance. Both of these types of policies are individual insurance serviced by agents who call at the policyholder's home to collect the premiums. (Monthly debit ordinary insurance is also included in the data on ordinary life insurance in this book.)

The volume of home service insurance in force declined for the third year in a row. Total coverage with U.S. life insurance companies amounted to $147.6 billion by year-end 1985, 2.1% of all life insurance in force with U.S. life companies.

Home Service Life Insurance in Force

U.S. Life Insurance Companies (000,000 omitted)

	Monthly Debit Ordinary		Industrial		Total	
Year	No. of Policies	Amount	No. of Policies	Amount	No. of Policies	Amount
1970	33	$ 73,569	78	$39,179	111	$112,748
1975	34	91,985	70	39,825	104	131,810
1980	36	115,364	62	40,061	98	155,425
1981	36	124,318	60	39,050	96	163,368
1982	35	122,451	67	41,345	102	163,796
1983	33	120,170	64	39,698	97	159,868
1984	32	120,505	58	34,402	90	154,907
1985	30	116,212	54	31,362	84	147,574

Note: Totals represent all life insurance in force with U.S. companies (including both direct business and reinsurance acquired, and without deducting reinsurance ceded), whether the policyholders are residents of the United States or of some other country. Data for monthly debit ordinary are included in the aggregate data for ordinary on pages 15-29.

Source: American Council of Life Insurance.

Credit Life Insurance

Credit life insurance, used to repay a debt in case the borrower dies, increased again in 1985 as a result of the general economic upturn and more consumer borrowing. The amount of credit life in force in the United States totaled $216.0 billion at year-end, an increase of $26.0 billion from the previous year.

Credit life is term insurance, generally decreasing in amount as a loan is repaid. It protects the borrower's family, as well as the lender, against the unpaid debt that may be left at death. It is commonly a part of consumer credit contracts. Life companies issue credit insurance through such lenders as banks, finance companies, credit unions and retailers, who in turn make arrangements with the borrowers. The credit life insurance total includes protection of 10 years' or less duration issued through lenders.

Credit Life Insurance In Force

In the United States (000 omitted)

Year	No. of Policies and Certificates	Amount	Year	No. of Policies and Certificates	Amount
1917	1	*	1973	77,574	$101,154,000
1920	22	$ 4,000	1974	83,860	109,623,000
1925	81	18,000	1975	79,708	112,032,000
1930	363	73,000	1976	78,230	123,569,000
1935	559	101,000	1977	79,259	139,402,000
1940	2,563	380,000	1978	83,725	163,081,000
1945	2,110	365,000	1979	84,435	179,250,000
1950	10,819	3,844,000	1980	78,446	165,215,000
1955	27,900	14,493,000	1981	73,055	162,356,000
1960	43,087	29,101,000	1982	66,758	161,144,000
1965	62,599	53,020,000	1983	64,386	170,659,000
1970	77,516	77,392,000	1984	65,920	189,951,000
1971	76,041	81,931,000	1985	69,737	215,973,000
1972	78,439	93,410,000			

In U.S. Life Insurance Companies (000 omitted)

Year	No. of Policies and Certificates	Amount	Year	No. of Policies and Certificates	Amount
1917	1	*	1973	99,453	$125,702,000
1920	22	$ 4,000	1974	105,228	136,829,000
1925	81	18,000	1975	101,710	140,378,000
1930	363	73,000	1976	98,057	151,238,000
1935	559	101,000	1977	100,117	168,798,000
1940	2,568	381,000	1978	106,773	199,464,000
1945	2,124	370,000	1979	106,611	217,268,000
1950	10,992	3,903,000	1980	101,622	210,019,000
1955	32,985	17,072,000	1981	100,759	211,773,000
1960	55,650	34,812,000	1982	92,066	210,205,000
1965	82,197	64,595,000	1983	85,186	219,553,000
1970	101,786	96,455,000	1984	89,943	246,254,000
1971	97,730	101,427,000	1985	94,720	278,044,000
1972	101,820	116,218,000			

Note: "Credit" shown above is limited to life insurance on loans of 10 years' or less duration. Totals for "In the United States" represent all life insurance (net of reinsurance) on residents of the United States, whether issued by U.S. or foreign companies. Totals for "In U.S. Life Insurance Companies" represent all life insurance in force with U.S. companies (including both direct business and reinsurance acquired, and without deducting reinsurance ceded), whether the policyholders are residents of the United States or of some other country.

*Less than $500,000.

Source: American Council of Life Insurance.

Life Insurance and American Families

A national sample survey conducted in 1984 for the American Council of Life Insurance and the Life Insurance Marketing and Research Association provides a comprehensive inventory of the types and amounts of life insurance coverage that Americans own.

Approximately 2 out of 3 individuals in the U.S. had some form of life insurance coverage; either through an individually purchased policy, an employee group policy at their place of employment or through any of a variety of other sources from which coverage can be obtained (e.g., Veterans life, credit life, mortgage life, etc.).

Adult men are more likely to be insured, and for larger amounts, than adult women. Three out of four (75%) adult males are insured; 56% through an individually purchased policy and 45% through their place of work. Somewhat fewer American women are insured (65%); 47% are covered through an individually purchased policy while 30% are protected by employee group insurance.

The average (mean) amount of total life insurance on an insured adult male is $51,700, more than twice the average amount held by an insured adult woman ($21,300). The average amount of individually purchased coverage on an insured adult male is $34,000 compared to $14,100 for insured adult females. Individual life coverage includes policies purchased through insurance agents and companies, fraternal organizations and the mail, and Savings Bank Life Insurance (Connecticut, Massachusetts, New York).

Some form of life insurance was held by 81% of U.S. households (i.e., one or more household members were insured). The average amount of total life coverage per insured household in 1984 was $64,200. Individual life coverage was owned by 62% of the households; the average amount of individual life coverage for these households was $42,500. Employee group insurance protected 54% of households; the average amount of their employee group coverage totaled $41,300.

Families where both husband and wife are present comprise approximately 60% of all American households. Nearly 9 out of 10 husband-wife households own some type of life insurance while 76% of male-head families and 74% of female-head families are protected by some type of insurance. The average amount of coverage for insured husband-wife households was $78,700. Seventy percent of both male-head nonfamily and female-head nonfamily households owned some type of life insurance protection; the average amounts of coverage for these nonfamily households was $62,400 and $17,900, respectively.

The survey showed that life insurance ownership was most prevalent in households where the head was in the 55-to-64 age group, with 91% protected, followed by 89% of the 45-to-54 age group and 87% of the 35-to-44 age group owning some form of insurance. The insured households with heads 35-to-44 years old had the highest average amount of coverage, $95,900. The 45-to-54 insured group owned an average amount of $82,200, followed by the 25-to-34 group with an average amount of $78,200 in coverage. Seventy-one percent of the households with a 65 years or older head of house owned some type of insurance; the average amount of coverage for these insured households was $13,300.

Nine out of ten households with annual incomes of $20,000 or more were protected by some type of life insurance. Insured households with annual incomes of $50,000 or more had an average amount of life coverage of $164,800, while the $20,000 to $29,999 income insured households averaged $62,600. The highest incidence of employee-group coverage occurred in households with annual incomes in the $30,000 to $49,999 and $50,000 or more ranges, 74% and 72%, respectively. Employee-group coverage averaged $52,600 for the $30,000 to $49,999 income insured households and $94,700 for insured households with annual incomes of $50,000 or more.

Ownership of Life Insurance by Individuals—1984

Percent of Adult Insured by Type of Coverage

	All Types of Life Insurance		Individual Life Insurance		Employee Group Life Insurance	
TOTAL ADULTS	70%		51%		37%	
Men	75		56		45	
Women	65		47		30	
AGE	Male	Female	Male	Female	Male	Female
65 and older	69%	57%	57%	48%	29%	14%
55-64 yrs	86	71	64	57	52	28
45-54 yrs	86	72	61	49	59	37
35-44 yrs	84	70	65	51	57	41
25-34 yrs	73	68	51	44	47	38
18-24 yrs	61	50	46	35	24	20
TOTAL LIFE INSURANCE COVERAGE (All Adults)						
$150,000 or more	3%		1%		1%	
100,000-149,999	4		2		2	
50,000- 99,999	10		5		4	
25,000- 49,999	11		6		6	
15,000- 24,999	8		5		6	
5,000- 14,999	19		15		13	
Less than $5,000	15		17		5	
Total	70%		51%		37%	
Median Coverage	$15,000		$10,000		$15,000	
Mean Coverage	$36,800		$24,500		$30,400	
ALL CHILDREN	47%		40%		12%	
14-17 yrs	51		45		13	
6-13 yrs	48		41		11	
0- 5 yrs	41		33		11	
Median Coverage	$ 5,000		$ 5,000		$ 2,500	
Mean Coverage	$ 6,400		$ 5,900		$ 5,500	

Note: "All Types of Life Insurance" includes individually purchased life policies, employer-sponsored group life, credit life, servicemen's life (SGLI and VGLI), mortgage insurance purchased from lending institutions, and insurance for credit union depositors. "Individual Life Insurance" includes policies purchased through insurance agents and companies, fraternal organizations and the mail, and Savings Bank Life Insurance (Connecticut, Massachusetts, New York); comprises ordinary and/or industrial life insurance. The definition used here is somewhat broader than that used in earlier studies and reported in previous *Factbooks*.

Source: A national consumer survey conducted in 1984 for the American Council of Life Insurance and the Life Insurance Marketing and Research Association.

Ownership of Life Insurance by Households—1984

Percent of Households in Which at Least One Member Owns Life Insurance

	All Types of Life Insurance		Individual Life Insurance		Employee Group Life Insurance	
	Percent	Mean Coverage*	Percent	Mean Coverage*	Percent	Mean Coverage*
ALL HOUSEHOLDS	81%	$ 64,200	62%	$ 42,500	54%	$41,300
TYPE OF HOUSEHOLD						
Husband-wife	88%	$ 78,700	70%	$ 51,600	60%	$44,800
with children	87	99,100	69	71,500	62	46,600
without children	89	59,000	71	32,600	59	42,900
Family/male head	76	**	53	**	49	**
Family/female head	74	36,700	51	24,900	49	27,600
Nonfamily/male head	70	62,400	46	38,100	48	50,400
Nonfamily/female head	70	17,900	48	9,600	37	21,100
AGE OF HOUSEHOLD HEAD						
65 years and older	71%	$ 13,300	61%	$ 8,300	31%	$13,100
55-64 yrs	91	47,900	75	22,400	56	41,100
45-54 yrs	89	82,200	66	50,200	64	55,600
35-44 yrs	87	95,900	68	63,900	65	51,000
25-34 yrs	79	78,200	52	64,200	59	38,700
18-24 yrs	66	53,200	37	**	48	**
HOUSEHOLD INCOME						
$50,000 or more	92%	$164,800	71%	$105,800	72%	$94,700
30,000-49,999	92	90,800	69	56,300	74	52,600
20,000-29,999	91	62,600	71	41,800	66	33,200
15,000-19,999	80	38,800	58	28,300	51	22,400
Under $15,000	69	27,400	51	19,600	34	20,900
OCCUPATION OF HOUSEHOLD HEAD						
Manager	90%	$134,900	68%	$ 98,600	69%	$68,400
Professional/technical	90	93,600	66	55,500	71	59,700
Salesperson	79	72,100	56	50,800	62	39,400
Skilled craftsperson/operator/ transportation worker	88	64,200	69	42,200	65	33,200
Service worker	85	51,100	56	36,200	57	32,800
Administrative support	84	39,900	48	24,800	72	27,400
Laborer	78	49,700	56	34,900	52	27,600
Retired	75	15,300	64	9,600	32	13,900
EDUCATION OF HOUSEHOLD HEAD						
Postgraduate	85%	$116,900	67%	$ 78,500	60%	$73,000
College graduate	87	94,300	59	61,700	68	59,800
Attended college	80	68,000	56	46,300	56	42,800
High school graduate	80	51,900	61	37,000	51	30,800
Not a high school graduate	79	36,300	65	22,900	48	24,400

*Among those households with this type of coverage; includes coverage of dependents.

**Averages not shown for fewer than 25 cases in sample.

Note: "All Types of Life Insurance" includes individually purchased life policies, employer-sponsored group life, credit life, servicemen's life (SGLI and VGLI), mortgage insurance purchased from lending institutions, and insurance for credit union depositors. "Individual Life Insurance" includes policies purchased through insurance agents and companies, fraternal organizations and the mail, and Savings Bank Life Insurance (Connecticut, Massachusetts, New York); comprises ordinary and/or industrial life insurance. The definition used here is somewhat broader than that used in earlier studies and reported in previous *Factbooks*.

Source: A national consumer survey conducted in 1984 for the American Council of Life Insurance and the Life Insurance Marketing and Research Association.

ANNUITIES

The number of annuities in force with U.S. life insurance companies under individual and supplementary contracts totaled 10.5 million at the end of 1985, an increase of 492,000, or 4.9%, during the year.

Individual annuities accounted for 10.0 million of the total, an increase of 529,000, or 5.6%, from 1984. The growth was due largely to continued purchases of annuities for individual pension plans, made possible by the 1974 federal pension legislation, the Employee Retirement Income Security Act. This follows an increase of 10.8% during 1984, and an increase of 22.2% in 1975, the first full year that the pension law was in effect.

Annual income now payable or to be paid in the future under individual annuities amounted to $23.9 billion in 1985, an increase of $4.4 billion over 1984. Individually purchased annuities, such as Keogh plans or tax-sheltered type plans, are also discussed in the chapter on pension plans with life insurance companies (page 55).

Many supplementary contracts provide life income from life insurance policy proceeds. By year-end 1985, there were 539,000 supplementary contract life annuities in force with life insurance companies, providing current or future annual income of $548 million to annuitants.

Annuities provide protection against the possibility of outliving one's financial resources. They can be set up to pay income currently or in the future at regular intervals, usually monthly. Most annuities are intended to provide guaranteed retirement income of a predetermined amount, most often for life.

There are several sources of annuity plans. They are available on a group basis, most often as pension plans set up by employers with life insurance companies, or they can be purchased individually through a life insurance agent. The cash surrender, matured endowment values, or the death benefit of individual life insurance policies may also be used to set up an annuity. Group annuities with life insurance companies are covered in the chapter on pension plans (page 55).

Individual Annuities and Supplementary Contracts In Force 1985

U.S. Life Insurance Companies

	Individual Annuities		Supplementary Contracts	
	Number	Annual Income	Number	Annual Income
Income Now Payable	618,000	$ 1,544,000,000	527,000	$533,000,000
Income Deferred But Fully Paid	4,012,000	9,595,000,000	12,000	15,000,000
Income Deferred But Not Fully Paid	5,368,000	12,740,000,000	*	**
Total	9,998,000	$23,879,000,000	539,000	$548,000,000

Note: Data for supplementary contracts represent only those with life contingencies. Data exclude variable annuities in separate accounts (see following page).

*Fewer than 500. **Less than $500,000.

Source: American Council of Life Insurance.

Variable Annuities

The variable annuity, all or part of which may be based on common stock investments or related to a cost of living or other index, was first developed in the 1950s. Part or all of the funds normally placed in common stocks or other investments are maintained in a separate investment account. Considerably more investment latitude is permitted with funds in separate accounts than with life insurance investments generally. With one type of variable annuity, income payments are fixed and guaranteed once they begin, although the initial size depends upon the value of the fund. With another, the income payments themselves vary with the current value of the investments on which the annuity is based. Many plans provide for a combination of fixed and variable incomes under one contract.

Survey data for year-end 1985 showed that there were 3.4 million persons covered by life insurance company variable annuity plans in the United States. Nearly 3.3 million of these persons were covered by plans with equity-based benefits.

Annualized income paid in 1985 amounted to $422.7 million, $162.9 million under the variable payment portion and $259.8 million under the fixed portion. In addition, many persons have plans which provide a variable benefit if the variable payment option is exercised prior to retirement as specified in the contract.

Included in individual plans were 433,700 Individual Retirement Accounts with $1.5 billion in variable and $1.1 billion in other reserves.

Variable Annuity Plans in the United States 1985

(Dollar Amounts in Thousands)

	Group Plans				
	Equity Fund Index	Other Indices	Total Group	Individual Plans	Total (Group and Individual)
IN FORCE YEAR-END 1985					
No. of Plans	38,280	610	38,890	—	—
No. of Persons	1,848,990	112,100	1,961,090	1,463,380	3,424,470
Reserves					
Variable	$ 6,600,430	$ 924,240	$ 7,524,670	$ 9,230,890	$16,755,560
Other	10,636,320	404,760	11,041,080	5,686,690	16,727,770
Total	$17,236,750	$1,329,000	$18,565,750	$14,917,580	$33,483,330
CONSIDERATIONS IN 1985					
Variable	$ 438,130	$ 119,070	$ 557,200	$ 1,874,190	$ 2,431,390
Other	954,180	2,900	957,080	1,081,460	2,038,540
Total	$ 1,392,310	$ 121,970	$ 1,514,280	$ 2,955,650	$ 4,469,930
VARIABLE ANNUITIES IN COURSE OF PAYMENT 1985					
No. of Persons Receiving Payments Year-End 1985	26,240	14,040	40,280	21,000	61,280
Annualized Income					
Variable	$ 93,970	$ 54,150	$ 148,120	$ 14,810	$ 162,930
Fixed	182,150	41,890	224,040	35,760	259,800
Total	$ 276,120	$ 96,040	$ 372,160	$ 50,570	$ 422,730

Note: The table includes variable and fixed data on plans that provide variable annuity benefits either in whole or in part. Numbers of plans and active lives under plans that provide an option for a variable annuity payout at retirement are not included. For 1985, there were 820 such groups covering 109,260 persons, and 70,890 individual plans.

Source: American Council of Life Insurance.

LIFE INSURANCE AND ANNUITY BENEFIT PAYMENTS

Americans received $66.5 billion in payments from life insurance policies and annuities during 1985, a 10.1% increase over 1984.

These payments, increasing steadily for many years, reflect the growing use of life insurance, not only in providing funds for the family whose breadwinner dies but for family financial needs during the policyholder's lifetime.

Since the majority of payments to beneficiaries, as well as payments to policyholders and annuitants, are made well after the time of purchase, life insurance benefit payments have not yet fully reflected the increase in life insurance and annuity purchases of the past two decades.

Several factors affect the pattern of life insurance benefit payments. Primary among them are the changes in the death rate among policyholders and the growth of group life insurance and other term insurance policies which do not incorporate a cash value.

These figures do not include $3.4 billion of benefits paid by other organizations issuing legal reserve life insurance, including fraternal societies, and by the federal government.

Life Insurance and Annuity Benefit Payments

In the United States (000,000 omitted)

	Life Insurance Policyholders and Beneficiaries							
Year	Death Payments	Matured Endowments	Disability Payments	Surrender Values	Policy Dividends	Total	Annuity Payments	Grand Total
1940	$ 995	$ 269	$104	$ 652	$ 468	$ 2,488	$ 176	$ 2,664
1945	1,279	407	88	211	466	2,451	216	2,667
1950	1,590	495	100	592	627	3,404	327	3,731
1955	2,241	614	110	896	1,021	4,882	501	5,383
1960	3,346	673	124	1,633	1,512	7,288	830	8,118
1965	4,832	931	162	1,932	2,259	10,117	1,300	11,417
1966	5,218	982	169	2,120	2,416	10,905	1,437	12,342
1967	5,665	1,017	175	2,243	2,596	11,696	1,598	13,294
1968	6,209	967	196	2,456	2,803	12,631	1,754	14,385
1969	6,758	953	205	2,722	2,967	13,605	1,920	15,525
1970	7,017	978	233	2,887	3,214	14,329	2,120	16,449
1971	7,423	990	257	2,882	3,300	14,852	2,325	17,177
1972	8,007	1,001	271	3,027	3,640	15,946	2,628	18,574
1973	8,572	1,025	317	3,418	3,948	17,280	3,033	20,313
1974	8,885	991	375	3,642	4,208	18,101	3,351	21,452
1975	9,192	946	426	3,763	4,544	18,871	3,665	22,536
1976	9,593	976	458	4,148	5,017	20,192	4,419	24,611
1977	10,196	932	495	4,309	5,263	21,195	5,267	26,462
1978	11,108	916	533	4,520	5,674	22,751	5,863	28,614
1979	11,766	913	554	5,473	6,131	24,837	7,548	32,385
1980	12,884	908	592	6,678	6,785	27,847	10,195	38,042
1981	14,154	883	627	7,961	7,838	31,463	12,021	43,484
1982	15,066	839	574	10,779	7,922	35,180	12,814	47,994
1983	15,660	824	566	12,605	8,641	38,296	13,564	51,860
1984	16,752	771	566	14,731	9,700	42,520	17,912	60,432
1985	18,226	779	536	15,589	10,121	45,251	21,259	66,510

Note: Figures represent benefit payments under original policy contracts, including benefits that are left with the companies for future payment under supplementary contracts, but excluding payments from existing supplementary contracts. See page 50 for supplementary contract payments and page 51 for health insurance benefits paid by life companies. Annuity payments include death, surrender, disability and dividend payments.

Sources: American Council of Life Insurance.

Life Insurance and Annuity Benefit Payments

In the United States by State 1985 (000 omitted)

State	Death Payments	Matured Endowments	Annuity Payments	Disability Payments	Surrender Values	Policy and Contract Dividends	Total
Alabama	$ 302,300	$ 9,200	$ 135,000	$ 7,800	$ 233,200	$ 131,900	$ 819,400
Alaska	35,400	700	23,500	400	20,700	17,900	98,600
Arizona	205,400	7,900	241,200	6,600	181,900	138,200	781,200
Arkansas	126,900	4,400	74,700	4,100	106,600	74,500	391,200
California	1,764,800	61,600	2,102,600	44,900	1,458,600	1,154,200	6,586,700
Colorado	232,000	8,100	232,100	5,900	252,200	172,500	902,800
Connecticut	338,300	14,300	604,200	8,200	282,700	228,000	1,475,700
Delaware	80,200	2,700	77,200	4,900	47,700	41,400	254,100
D.C.	104,200	2,800	98,700	1,600	39,700	54,900	301,900
Florida	897,600	38,500	853,700	26,200	688,200	508,100	3,012,300
Georgia	503,700	14,600	266,800	12,800	317,700	224,300	1,339,900
Hawaii	81,000	2,900	101,400	2,100	95,700	56,700	339,800
Idaho	59,600	2,000	42,400	1,600	64,100	39,900	209,600
Illinois	999,400	54,900	1,072,100	23,800	921,000	922,400	3,993,600
Indiana	399,000	22,300	400,400	15,200	430,500	324,600	1,592,000
Iowa	199,500	13,300	194,400	16,200	290,700	240,800	954,900
Kansas	175,500	9,200	151,700	5,700	202,700	153,000	697,800
Kentucky	213,400	10,100	255,400	7,700	178,200	131,600	796,400
Louisiana	356,600	8,200	193,600	10,500	302,800	168,300	1,040,000
Maine	72,100	5,200	61,800	3,000	64,900	58,700	265,700
Maryland	388,300	17,500	355,800	7,700	299,400	242,600	1,311,300
Massachusetts	471,300	21,000	552,600	11,700	369,800	389,500	1,815,900
Michigan	724,900	31,100	864,500	31,800	597,200	481,100	2,730,600
Minnesota	256,100	12,500	384,800	9,000	303,300	240,000	1,205,700
Mississippi	142,200	4,600	71,300	3,700	122,800	62,400	407,000
Missouri	359,400	17,000	337,800	11,100	305,900	261,900	1,293,100
Montana	54,000	2,600	42,700	1,900	61,000	41,100	203,300
Nebraska	111,600	6,100	116,100	4,600	174,900	119,900	533,200
Nevada	63,600	2,000	50,200	1,400	58,300	38,400	213,900
New Hampshire	64,800	4,700	70,000	2,100	66,000	62,000	269,600
New Jersey	795,900	35,300	892,600	19,000	546,100	523,000	2,811,900
New Mexico	92,200	2,700	93,900	2,200	64,400	51,100	306,500
New York	1,545,000	66,900	1,784,000	47,000	1,153,400	1,285,300	5,881,600
North Carolina	417,500	17,000	364,300	10,300	343,600	238,700	1,391,400
North Dakota	42,600	2,400	33,500	1,000	50,000	34,100	163,600
Ohio	879,000	45,700	934,500	30,500	849,800	598,400	3,337,900
Oklahoma	233,300	7,900	302,800	6,000	202,800	141,100	893,900
Oregon	173,200	6,100	220,100	4,900	174,700	115,300	694,300
Pennsylvania	1,007,900	64,500	1,262,600	36,100	869,500	764,500	4,005,100
Rhode Island	76,000	3,800	91,300	2,700	69,100	66,700	309,600
South Carolina	227,200	8,900	117,600	6,000	161,500	97,400	618,600
South Dakota	45,000	2,100	37,000	1,500	57,800	34,100	177,500
Tennessee	340,600	11,900	288,400	9,700	256,900	193,100	1,100,600
Texas	1,241,000	33,900	1,004,500	26,800	1,078,100	565,700	3,950,000
Utah	108,100	2,700	103,800	2,800	90,000	65,400	372,800
Vermont	34,300	2,300	37,700	1,000	31,200	38,000	144,500
Virginia	461,900	17,000	440,100	7,300	336,000	269,600	1,531,900
Washington	257,000	9,800	329,500	10,200	261,100	202,300	1,069,900
West Virginia	119,600	6,100	105,600	4,600	74,600	87,000	397,500
Wisconsin	309,100	19,200	394,600	11,200	344,200	301,100	1,379,400
Wyoming	36,100	1,300	35,700	700	36,000	24,200	134,000
Total U.S.	$18,225,600	$779,500	$18,902,800	$535,700	$15,589,200	$12,476,900	$66,509,700

Note: Totals for annuity payments and dividend payments differ from those shown on pages 5, 41 and 48 because annuity dividends in this table are included with policy dividends rather than with annuity payments.

Source: American Council of Life Insurance.

Payments to Beneficiaries

The main reason people buy life insurance is to protect their dependents against financial hardship when the policyholder dies. The extent to which American families depend upon life insurance to provide this economic protection was documented in a survey of widows some years ago, which showed that life insurance of some type was owned by 92% of the husbands. Individually purchased policies bought from legal reserve companies were owned by 7 out of 10 husbands.

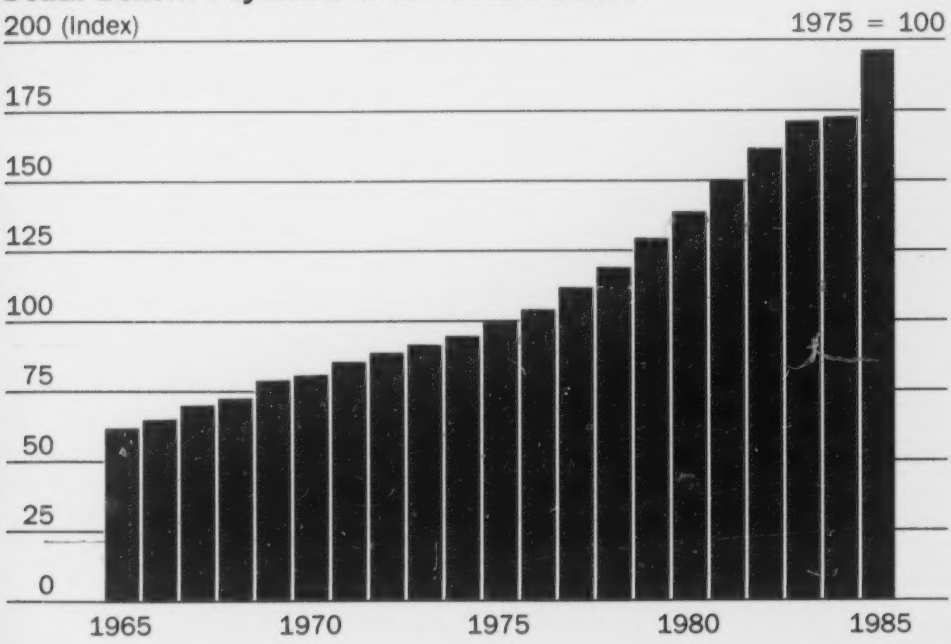
Nationally, the growth in the level of life insurance ownership has been the primary reason for the almost uninterrupted rise in life insurance death payments over the years, despite a generally downward trend in death rates among life insurance policyholders.

During 1985, life insurance companies paid $18.2 billion to beneficiaries of policyholders who died. Of this total, ordinary life insurance policies accounted for 48.2% of the payments and provided $8.8 billion. Group life insurance payments to beneficiaries totaled nearly $8.3 billion. Group life insurance has grown as a proportion of total death payments, accounting for 45.4% of death payments in 1985, compared to 41.4% in 1975. Payments to beneficiaries from industrial life insurance came to some $475 million in 1985. Benefits paid under short-term individual and group credit life insurance policies (life insurance on loans of 10 years' or less duration) were $687 million in 1985.

The largest amount of death payments in 1985 by state was made in California—$1.8 billion. New York ranked second with $1.5 billion.

Analyses of death payments indicate that members of policyholders' immediate families are the beneficiaries of most of the proceeds from all types of life insurance.

Relative Growth in Average Size Life Insurance Death Benefit Payments in the United States



Payments to Life Insurance Beneficiaries in the United States

(No. in Thousands, Amount in Millions)

	Ordinary		Group		Industrial		Credit*		Total	
Year	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
1940	267	$ 729	50	$ 104	707	$162	—	—	1,024	$ 995
1945	370	897	92	171	856	212	—	—	1,318	1,280
1950	403	1,090	133	283	843	217	—	—	1,379	1,590
1955	489	1,380	243	591	929	270	—	—	1,661	2,241
1960	630	1,904	394	1,115	1,014	327	—	—	2,038	3,346
1965	784	2,604	636	1,824	1,082	403	—	—	2,502	4,831
1966	815	2,750	683	2,058	1,079	410	—	—	2,577	5,218
1967	832	2,961	721	2,288	1,060	416	—	—	2,613	5,665
1968	930	3,210	746	2,578	1,039	421	—	—	2,715	6,209
1969	955	3,424	769	2,898	1,025	436	—	—	2,749	6,758
1970	960	3,545	767	3,027	1,014	445	—	—	2,741	7,017
1971	987	3,699	761	3,267	1,017	457	—	—	2,765	7,423
1972	1,036	4,004	810	3,537	1,040	466	—	—	2,886	8,007
1973	1,057	4,222	541	3,377	1,018	477	398	$496	3,014	8,572
1974	1,068	4,340	590	3,580	974	472	377	493	3,009	8,885
1975	1,076	4,439	591	3,807	992	462	337	484	2,926	9,192
1976	1,090	4,635	580	3,991	933	475	322	492	2,925	9,593
1977	1,081	4,879	571	4,334	911	475	307	508	2,870	10,196
1978	1,123	5,312	592	4,738	928	488	318	570	2,961	11,108
1979	1,103	5,548	601	5,127	881	480	309	611	2,894	11,766
1980	1,172	6,094	637	5,671	873	493	285	626	2,967	12,884
1981	1,210	6,640	668	6,374	806	477	324	663	3,008	14,154
1982	1,226	6,993	645	6,953	771	464	331	656	2,973	15,066
1983	1,239	7,306	663	7,256	765	470	252	628	2,919	15,660
1984	1,309	7,959	675	7,655	849	498	248	640	3,081	16,752
1985	1,300	8,789	683	8,275	713	475	262	687	2,958	18,226

*Prior to 1973 death payments under Credit Life Insurance are included with Ordinary and Group.

Source: American Council of Life Insurance.

Most other payments go to relatives outside the immediate family, with smaller proportions going to estates and trusts, business firms and partners, and to educational, charitable and other institutions.

The most recent study of benefit payments showed that in April 1981, 25% of all death payments from ordinary life insurance were on the lives of policyholders under the age of 50, 55% were on policyholders aged 50 to 74, and 20% were on the lives of persons 75 years old or older.

Most payments to beneficiaries are taken in a lump sum. However, some beneficiaries elect to leave the proceeds with the insurance companies at interest. Another choice of settlement, under both group and ordinary insurance, is to take an income for life or for a specified period.

The 1981 survey from which these conclusions are drawn is the most recent in a series of 12 periodic surveys of payments to beneficiaries under ordinary life insurance policies. A comparison of these studies reveals shifts in some aspects of payments to beneficiaries. For example, the size of payments upon death under ordinary life insurance policies has been growing, reflecting the increasing size of policies in force. When the first survey was taken in 1948, payments to beneficiaries of $10,000 or more were made on only 5.6% of the policies. By the 1981 survey, the proportion more than doubled to 12.3%.

Many life insurance policies provide an additional benefit if the policyholder's death is accidental. During 1985, life insurance companies' payments under accidental death clauses totaled $279 million.

Payments to Life Insurance Beneficiaries

In the United States by State 1985

State	Ordinary*		Group**		Industrial		Total	
	No.	Amount (000 omitted)	No.	Amount (000 omitted)	No.	Amount (000 omitted)	No.	Amount (000 omitted)
Alabama	24,800	$ 141,200	15,900	$ 138,100	69,400	$ 23,000	110,100	$ 302,300
Alaska	700	13,700	2,400	21,600	200	100	3,300	35,400
Arizona	14,200	112,600	10,300	90,800	2,500	2,000	27,000	205,400
Arkansas	9,400	71,500	6,600	53,600	3,200	1,800	19,200	126,900
California	94,600	852,100	87,500	893,000	24,500	19,700	206,600	1,764,800
Colorado	13,300	113,200	12,200	116,500	2,700	2,300	28,200	232,000
Connecticut	22,900	151,800	17,300	182,100	4,900	4,400	45,100	338,300
Delaware	4,100	29,000	3,100	49,500	2,800	1,700	10,000	80,200
D.C.	3,300	22,300	8,500	78,400	5,700	3,500	17,500	104,200
Florida	78,200	511,800	43,300	359,200	39,400	26,600	160,900	897,600
Georgia	39,000	266,600	22,800	214,300	43,200	22,800	105,000	503,700
Hawaii	3,100	41,200	4,800	39,700	100	100	8,000	81,000
Idaho	3,500	30,200	3,300	29,100	400	300	7,200	59,600
Illinois	79,400	486,700	51,500	482,100	36,600	30,600	167,500	999,400
Indiana	32,200	193,400	21,500	190,400	21,400	15,200	75,100	399,000
Iowa	16,600	119,100	9,100	77,500	3,500	2,900	29,200	199,500
Kansas	15,800	100,400	8,300	71,900	4,100	3,200	28,200	175,500
Kentucky	21,300	103,000	12,600	99,800	19,300	10,600	53,200	213,400
Louisiana	19,200	189,900	14,700	151,300	26,900	15,400	60,800	356,600
Maine	6,400	35,500	4,500	35,400	1,300	1,200	12,200	72,100
Maryland	24,700	154,900	20,400	221,900	16,000	11,500	61,100	388,300
Massachusetts	35,600	215,300	22,900	245,700	12,200	10,300	70,700	471,300
Michigan	42,500	281,600	46,200	425,800	22,600	17,500	111,300	724,900
Minnesota	16,600	128,100	14,000	124,300	4,100	3,700	34,700	256,100
Mississippi	8,900	75,400	7,800	63,600	5,800	3,200	22,500	142,200
Missouri	34,200	174,700	19,400	173,700	14,400	11,000	68,000	359,400
Montana	3,400	32,800	2,900	20,900	400	300	6,700	54,000
Nebraska	10,500	66,300	4,800	43,800	1,800	1,500	17,100	111,600
Nevada	3,000	34,300	3,200	29,000	300	300	6,500	63,600
New Hampshire	5,800	32,200	3,300	31,200	1,400	1,400	10,500	64,800
New Jersey	53,900	352,600	34,900	421,900	22,600	21,400	111,400	795,900
New Mexico	4,900	44,500	4,300	47,100	800	600	10,000	92,200
New York	115,300	741,800	68,200	771,800	35,300	31,400	218,800	1,545,000
North Carolina	37,600	207,400	24,400	196,100	26,700	14,000	88,700	417,500
North Dakota	2,600	25,600	2,000	16,900	200	100	4,800	42,600
Ohio	70,400	417,700	46,600	428,000	45,000	33,300	162,000	879,000
Oklahoma	14,500	119,400	11,100	111,400	3,700	2,500	29,300	233,300
Oregon	10,600	78,400	10,500	93,600	1,400	1,200	22,500	173,200
Pennsylvania	96,800	477,600	56,500	480,900	62,300	49,400	215,600	1,007,900
Rhode Island	9,200	39,300	3,900	34,500	2,600	2,200	15,700	76,000
South Carolina	24,900	112,500	12,300	100,900	27,300	13,800	64,500	227,200
South Dakota	3,600	27,900	1,900	17,000	100	100	5,600	45,000
Tennessee	26,300	159,200	20,800	168,300	26,000	13,100	73,100	340,600
Texas	67,200	630,400	54,400	595,200	22,600	15,400	144,200	1,241,000
Utah	4,900	53,000	6,500	54,300	1,200	800	12,600	108,100
Vermont	3,100	19,200	1,700	14,600	600	500	5,400	34,300
Virginia	28,500	179,800	27,800	267,700	27,100	14,400	83,400	461,900
Washington	14,100	118,400	15,800	136,700	2,600	1,900	32,500	257,000
West Virginia	8,800	51,200	7,500	64,800	5,400	3,600	21,700	119,600
Wisconsin	22,600	154,900	18,100	147,100	8,100	7,100	48,800	309,100
Wyoming	1,800	19,500	1,900	16,500	100	100	3,800	36,100
Total U.S.	1,308,800	$8,811,100	936,200	$8,939,500	712,800	$475,000	2,957,800	$18,225,600

*Includes $22 million in payments to beneficiaries under individual credit life insurance policies on loans of 10 years' or less duration.

**Includes $665 million in payments to beneficiaries under group credit life insurance policies on loans of 10 years' or less duration.

Source: American Council of Life Insurance.

Analysis of Payments to Life Insurance Beneficiaries In the United States, April 1981

	Percent of Policies			Percent of Amount		
	Ordinary*	Group	Industrial	Ordinary*	Group	Industrial
SEX OF INSURED						
Male	73.2	80.9	41.8	87.8	87.1	44.9
Female	26.8	19.1	58.2	12.2	12.9	55.1
Total	100.0	100.0	100.0	100.0	100.0	100.0
AGE OF INSURED AT DEATH						
Under 25	2.3	4.4	0.9	2.7	3.4	1.7
25-34	2.3	5.2	1.1	5.5	6.9	1.7
35-44	3.5	6.8	2.1	9.3	10.2	2.7
45-54	8.8	16.0	5.3	17.2	22.9	7.2
55-64	19.9	27.9	14.2	24.7	37.6	16.0
65-74	28.1	21.0	27.4	20.8	12.4	26.3
75 or Older	35.1	18.7	49.0	19.8	6.6	44.4
Total	100.0	100.0	100.0	100.0	100.0	100.0
RELATIONSHIP OF BENEFICIARY TO INSURED						
Husband	9.6	7.0	12.9	4.6	6.1	13.2
Wife	47.2	52.9	24.1	53.6	59.9	26.2
Child or Children	16.8	16.2	37.9	9.6	11.1	37.0
Other Relatives	13.0	11.1	18.6	8.2	9.7	17.8
Estate or Trust	4.8	6.2	3.2	7.6	6.7	2.9
Institution	0.6	3.2	0.6	1.7	2.9	0.5
All Other	8.0	3.4	2.7	14.7	3.6	2.4
Total	100.0	100.0	100.0	100.0	100.0	100.0
DURATION OF POLICY WHEN IT BECAME A CLAIM						
Less Than 1 Year	1.7	—	0.6	5.1	—	1.0
1 to 5 Years	5.6	—	4.3	16.9	—	6.5
5 to 10 Years	7.5	—	5.6	15.2	—	7.1
10 to 20 Years	19.1	—	11.3	22.5	—	12.7
20 to 30 Years	17.6	—	19.0	15.6	—	20.5
30 Years or More	48.5	—	59.2	24.7	—	52.2
Total	100.0	—	100.0	100.0	—	100.0
SEX OF BENEFICIARY						
Male	20.4	18.8	34.5	11.0	14.1	34.9
Female	62.0	67.4	58.4	62.6	69.0	58.0
Both Sexes Represented	5.9	5.7	1.8	5.6	4.6	2.5
All Other	11.7	8.1	5.3	20.8	12.3	4.6
Total	100.0	100.0	100.0	100.0	100.0	100.0
METHOD OF PAYING PROCEEDS						
Lump Sum	97.9	98.3	100.0	96.0	96.2	100.0
Life Income	0.5	0.4	—	0.8	0.9	—
Annuity Certain	0.8	0.7	—	1.2	1.8	—
Held at Interest	0.7	0.4	—	1.7	0.8	—
All Other	0.1	0.2	**	0.3	0.3	**
Total	100.0	100.0	100.0	100.0	100.0	100.0

*Figures exclude individual credit life insurance on loans of 10 years' or less duration.

**Less than .05%.

Source: American Council of Life Insurance.

Payments to Policyholders and Annuitants

Although the basic purpose of life insurance is to provide protection against the economic risks of death, it also generates important values for the individual policyholder. Benefits paid during the lifetime of the policyholder are known as living benefits.

Payments to life insurance policyholders in 1985 totaled $27.1 billion, 59.7% of total life insurance benefit payments in the United States. They consisted of payments from matured endowments, surrender values, disability provisions, and policy dividends.

Matured endowments paid policyholders $779.5 million during the year. Disability payments under life insurance policies totaled $535.7 million, including $238.0 million in direct income payments to disabled policyholders and $297.7 million in waived premiums.

Cash surrender values paid on policies terminated voluntarily during the year amounted to $15.6 billion, an increase of 5.8% over the previous year.

Dividends to policyholders accounted for 37.4% of all payments to life insurance policyholders in 1985. These policy dividends amounted to $10.1 billion. Dividends represent the return to policyholders of part of the payments they have made on policies sold on a participating basis and reflect the portion that was not needed by the company after payments of claims, additions to reserves and administrative expenses.

Annuitants received $21.3 billion in payments and dividends in 1985, up 18.7% from the $17.9 billion paid in 1984.

Based on an analysis of 1985 life insurance and annuity dividend payments, it is estimated that policyholders used 15% of the policy dividend total to help pay their premiums, left 20% with the life companies at interest, used 47% to buy additional life insurance or annuities, and took 18% in cash. The proportion used to purchase

Payments to Life Insurance Policyholders in the United States

Year	Amount (000)	% of Total Life Insurance Payments	Year	Amount (000)	% of Total Life Insurance Payments
1940	$1,492,800	60.0	1973	$ 8,708,300	50.4
1945	1,171,300	47.8	1974	9,215,600	50.9
1950	1,813,800	53.3	1975	9,679,200	51.3
1955	2,641,400	54.1	1976	10,598,500	52.5
1960	3,942,000	54.1	1977	10,999,000	51.9
1965	5,285,500	52.2	1978	11,643,800	51.2
1966	5,687,300	52.2	1979	13,071,500	52.6
1967	6,030,300	51.6	1980	14,962,800	53.7
1968	6,421,900	50.8	1981	17,309,300	55.0
1969	6,846,400	50.3	1982	20,114,500	57.2
1970	7,311,700	51.0	1983	22,636,100	59.1
1971	7,429,000	50.0	1984	25,768,300	60.6
1972	7,939,100	49.8	1985	27,025,400	59.7

Note: Payments to life insurance policyholders include matured endowments, disability payments, surrender values and policy dividends.

Sources: American Council of Life Insurance.

additional coverage has been increasing for two decades, whereas the proportion used to pay premiums for existing coverage has declined.

An analysis of benefit payments to holders of matured endowments and of surrender values paid in April 1981 showed that 41% of matured endowment policy proceeds and 82% of the surrender values were paid to policyholders under age 65.

Men received 71.4% of the proceeds from matured endowments and 81.0% of the surrender values.

Whereas almost 84% of the proceeds from matured endowments were paid as a lump sum, more than 97% of the surrender values were paid that way.

Payments to Annuitants in the United States (000 omitted)

Year	Amount	Year	Amount
1940	$ 176,500	1973	$ 3,032,500
1945	216,400	1974	3,351,600
1950	327,200	1975	3,664,900
1955	500,600	1976	4,419,400
1960	830,400	1977	5,267,300
1965	1,299,700	1978	5,862,900
1966	1,436,700	1979	7,548,000
1967	1,598,000	1980	10,194,900
1968	1,753,800	1981	12,020,600
1969	1,920,000	1982	12,813,300
1970	2,120,400	1983	13,564,000
1971	2,324,900	1984	17,911,900
1972	2,628,000	1985	21,258,800

Note: Annuity payments include death, surrender, disability and dividend payments.

Source: American Council of Life Insurance.

Analysis of Payments of Matured Endowments And Surrender Values in the United States

	Matured Endowments				Surrender Values			
	Percent of Policies		Percent of Amount		Percent of Policies		Percent of Amount	
	April 1977	April 1981	April 1977	April 1981	April 1977	April 1981	April 1977	April 1981
SEX OF INSURED								
Male	63.7	58.7	72.4	71.4	70.0	70.0	81.4	81.0
Female	36.3	41.3	27.6	28.6	30.0	30.0	18.6	19.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
AGE OF INSURED AT SETTLEMENT								
Under 25	19.0	21.9	8.6	9.5	20.1	15.2	7.4	5.8
25-34	3.3	4.7	1.5	2.1	25.3	27.9	13.6	14.8
35-44	5.0	5.7	2.6	2.7	16.3	20.8	14.5	18.2
45-54	5.4	3.6	4.3	3.2	13.8	13.8	18.5	19.1
55-64	22.3	18.0	26.1	23.3	12.9	12.6	24.9	23.6
65-74	36.7	34.4	50.9	51.8	7.1	6.5	14.9	13.0
75 or Older	8.3	11.7	6.0	7.4	4.5	3.2	6.2	5.5
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
DURATION OF POLICY WHEN IT BECAME A CLAIM								
Under 1 Year	0.2	*	0.1	*	0.6	1.0	0.3	0.5
1 to 5 Years	0.5	0.4	0.4	1.1	19.8	17.1	10.5	10.8
5 to 10 Years	1.6	0.9	2.9	1.5	21.4	22.5	19.1	19.6
10 to 20 Years	22.0	16.2	25.7	22.2	25.5	26.6	31.1	31.2
20 to 30 Years	34.4	48.6	36.8	40.2	18.2	19.5	22.5	22.5
30 to 40 Years	27.4	19.1	24.3	23.3	7.0	7.4	9.0	8.9
40 or More Years	13.9	14.8	9.8	11.7	7.5	5.9	7.5	6.5
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
METHOD OF PAYING PROCEEDS								
Lump Sum	85.7	88.3	74.8	83.5	99.2	99.4	97.0	97.3
Life Income	3.1	2.4	6.8	7.4	0.5	0.2	1.8	1.7
Annuity Certain	0.5	0.4	1.4	0.9	*	*	0.2	0.1
Held at Interest	5.5	3.4	9.7	5.8	0.2	0.1	0.4	0.5
All Other	5.2	5.5	7.3	2.4	0.1	0.3	0.6	0.4
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

*Less than .05%.

Source: American Council of Life Insurance.

Benefit Payments Under Supplementary Contracts

The role of life insurance in providing security for a family is not necessarily limited to lump sum payment of a policy's proceeds. Settlement options are available from life insurance companies as alternatives to lump sum benefits. Instead of taking the policy's proceeds in cash, many policyholders and beneficiaries have been setting aside millions of dollars in benefits each year under annuity and other plans, or leaving them to draw interest until needed.

During 1985, Americans left $1.3 billion of their life insurance proceeds with life insurance companies under supplementary contracts, compared to $964 million left with the companies the preceding year. Some of the contracts provided a regular income, either for specified periods or for life. With others, the funds were held at interest until called for by the policyholder or beneficiary, with interest being paid to them regularly.

The amount set aside with life companies under supplementary contracts amounted to 4% of all 1985 death payments, matured endowments and surrender value payments under ordinary and group life insurance policies in the United States. At the end of the year, the accumulated policy proceeds set aside under supplementary contracts by Americans amounted to $10.5 billion, $533 million more than the previous year. Life insurance companies paid out $1.7 billion in income from these accumulated funds during 1985.

Use of Life Insurance Benefits Under Supplementary Contracts

In the United States (000,000 omitted)

Year	Benefits Set Aside	Payments From Accumulated Funds	Year	Benefits Set Aside	Payments From Accumulated Funds
1945	$540	$ 295	1974	$ 820	$1,320
1950	680	520	1975	910	1,280
1955	780	720	1976	950	1,290
1960	760	970	1977	1,080	1,340
1965	920	1,110	1978	1,030	1,440
1966	920	1,180	1979	770	1,490
1967	940	1,190	1980	990	1,620
1968	890	1,240	1981	950	1,660
1969	840	1,310	1982	930	1,410
1970	790	1,290	1983	1,010	1,410
1971	870	1,220	1984	964	1,437
1972	870	1,210	1985	1,331	1,689
1973	940	1,320			

Source: American Council of Life Insurance.

Health Insurance Benefit Payments

A large share of private health insurance for Americans is provided by life insurance companies.

Health insurance has become an important aspect of the services of U.S. life companies. They paid nearly $27.3 billion of the health insurance benefits to Americans in 1985, including $22.8 billion under group contracts and $4.5 billion under individual policies. Total health benefit payments by life companies have increased rapidly in recent years, rising by 18.5% since 1980.

Of the 1985 benefit payments, $22.4 billion was for medical expenses, including hospital and surgical expenses; $2.7 billion for loss of income (including accidental death and dismemberment payments); and nearly $2.2 billion under dental policies.

These statistics do not include disability payments under life insurance policies and health insurance and accidental death and dismemberment payments by casualty and other health insuring companies, Blue Cross/Blue Shield and similar organizations, and Administrative Service Only (ASO) arrangements.

Health Insurance Benefit Payments in the United States

Paid by Life Insurance Companies (000,000 omitted)

Year	Group	Individual	Total
1948	$ 225	$ 101	$ 326
1950	375	119	494
1955	1,064	326	1,390
1960	2,102	531	2,633
1965	3,572	841	4,413
1970	6,840	1,368	8,208
1971	7,721	1,343	9,064
1972	8,225	1,450	9,675
1973	8,820	1,480	10,300
1974	10,500	1,600	12,100
1975	12,410	1,910	14,320
1976	14,090	2,070	16,160
1977	15,230	2,240	17,470
1978	15,636	3,110	18,746
1979	17,525	3,068	20,593
1980	19,759	3,279	23,038
1981	21,049	3,425	24,474
1982	22,288	3,767	26,055
1983	22,799	4,113	26,912
1984	22,782	4,271	27,053
1985	22,830	4,468	27,298

Note: Figures exclude policy dividends.

Sources: American Council of Life Insurance and Health Insurance Association of America.

MAJOR PENSION AND RETIREMENT PROGRAMS

Half of all full-time workers in commerce and industry in the United States and three-fourths of all government civilian personnel are now enrolled in retirement plans other than Social Security. Included are those enrolled in profit-sharing plans that provide retirement income. The number of participants is estimated to be over 50 million.

The term "coverage" with regard to pension plans differs from its use in life and health insurance. In life and health coverage, there is no difference between persons eligible for benefits and those who receive benefits under the specified conditions. The nature of a retirement contract, however, is such that it is difficult to determine the number of potential beneficiaries in relation to "covered" workers.

Unlike life insurance, which provides instant coverage, a private pension plan provides future benefits that generally are contingent on the employee's age and length of service. Also, dependents and survivors, who have only potential income from the plan, are not counted as covered until they actually begin receiving benefits.

However, as in the case of life and health insurance, an individual may be covered by several plans, usually by fulfilling the vesting qualifications under several plans and/or by having primary coverage and being the spouse of a person who is covered.

Private Pension Plans

Private pension plans are those established by private agencies including commercial, industrial, labor and service organizations, nonprofit organizations, nonprofit religious, educational and charitable institutions, and Individual Retirement Accounts or Keogh Plans set up by individuals.

Pension plans may be self-administered, placed with banks or trust companies, or insured with life insurance companies.

At the end of 1985, plans with life insurance companies covered 40.0 million persons and provided retirement income to nearly 4.0 million individuals.

Government-administered Plans

Government-administered plans, including those for federal civilian employees, state and local government employees and railroad workers, covered 21.4 million persons at year-end 1985. This figure includes some duplication of coverage under more than one plan; some individuals covered by government plans are also covered by one or more private plans and some individuals in the private sector also may have multiple coverage under private plans.

The most comprehensive government retirement program is the federal Old-Age and Survivors Insurance (OASI) system, which is part of Social Security, a national social insurance program created in 1935. Some 171 million persons had Social Security earnings credits at the end of 1985. Over 152 million of these workers had been in the Social Security program long enough to be fully insured (i.e., if they were to die, the full range of survivor benefits would be available, or if they were age 62, they would qualify for retirement benefits).

Actuarially-funded retirement systems for civilian employees of the United States government covered 4.9 million persons.

The Railroad Retirement System, the only retirement system administered by the federal government for a single private industry, covered 1.3 million persons at year-end 1985, including 963,000 beneficiaries.

State and local government retirement systems covered 15.2 million persons at the end of 1985.

Number of Persons Covered by Major Pension and Retirement Programs

In the United States (000 omitted)

	Private Plans		Government-Administered Plans			
Year	With Life Insurance Companies	Other Private Plans	Railroad Retirement	Federal Civilian Employees†	State and Local Employees	OASI‡
1940	695	3,565	1,349	745	1,552	22,900
1945	1,470	5,240	1,846	2,928	2,008	41,070
1950	2,755	7,500	1,881	1,872	2,894	61,506
1955	4,105	12,290	1,876	2,333	3,927	74,887
1960	5,475	17,540	1,654	2,703	5,160	91,496
1965	7,040	21,060	1,661	3,114	6,780	103 827
1966	7,835	21,710	1,666	3,322	7,210	107,438
1967	8,700	22,330	1,641	3,499	7,594	110,746
1968	9,155	22,910	1,625	3,565	8,012	113,804
1969	9,920	24,410	1,620	3,627	8,303	116,904
1970	10,580	25,520	1,633	3,624	8,591	120,014
1971	10,880	26,580	1,578	3,596	9,079	122,735
1972	11,545	27,400	1,575	3,739	9,563	125,549
1973	12,485	28,700	1,582	4,040	9,850	129,045
1974	13,335	29,240	1,588	4,057	10,635	132,583
1975	15,190	30,300*	1,564	4,171	11,230	135,744
1976	16,965	N.A.	1,572	4,210	12,290	138,633
1977	19,205	N.A.	1,567	4,292	13,124	141,596
1978	21,615	N.A.	1,580	4,380	13,400*	144,260
1979	23,460	N.A.	1,567	4,398	13,680*	147,178
1980	26,080	N.A.	1,533	4,460	13,950*	153,634
1981	27,825	N.A.	1,483	4,566	14,230*	157,569
1982	30,375	N.A.	1,404	4,610	14,504	160,611
1983	32,425	N.A.	1,383	4,683	14,464	161,836
1984	35,510	N.A.	1,362	4,791	14,788	161,986
1985	40,010	N.A.	1,310	4,888	15,200	162,881

Notes: It is not possible to obtain a total for number of persons covered by pension plans by adding together the figures shown by year. Each series has been derived separately and there are differences in amount of duplication within each series and among the various series and also differences in definition of "coverage" among the series.

Private plans with life insurance companies include persons covered by Keogh plans, tax-sheltered annuities and, after 1974, IRA plans.

Data for "Other Private Plans," compiled by the Social Security Administration, exclude plans for the self-employed, those having vested benefits but not presently employed at the firm where benefits were accrued, and also exclude an estimated number who have vested benefits from employment other than from their current employment.

These data represent various dates during the year, since the fiscal years of the plans are not necessarily the same. Trends from year to year within each series are not affected. The number of persons covered include survivors or dependents of deceased workers and beneficiaries as well as retired workers. Retirement arrangements for members of the armed forces, and provisions for veterans' pensions, are not included.

N.A.—Not available.

*Estimated.

†Includes members of the U.S. Civil Service Retirement System, the Tennessee Valley Authority Retirement System, the Foreign Service Retirement System, and the Retirement Plan for Employees of the Federal Reserve System.

‡Includes living workers insured for retirement and/or survivors benefits, including the self-employed, plus dependents of retired workers and survivors of deceased workers who are receiving periodic benefits.

Source: Compiled by the American Council of Life Insurance.

Assets and Reserves of Major Pension and Retirement Programs

In the United States (000,000 omitted)

	Private Plans		Government-Administered Plans			
Year	With Life Insurance Companies	Other Private Plans	Railroad Retirement	Federal Civilian Employees*	State and Local Employees	Old-Age, Survivors and Disability Insurance**
1950	$ 5,600	N.A.	$2,553	$ 4,344	$ 5,154	$13,721
1960	18,850	$ 38,148	3,740	10,790	19,600	22,613
1965	27,350	73,647	3,946	16,516	33,100	19,841
1966	29,425	75,781	4,074	17,619	36,900	22,308
1967	32,000	89,417	4,236	18,799	41,500	26,250
1968	34,975	101,456	4,245	20,224	46,300	28,729
1969	37,900	102,385	4,347	21,600	51,800	34,182
1970	41,175	110,394	4,398	23,922	58,200	38,068
1971	46,400	130,121	4,300	26,532	64,800	40,434
1972	52,300	160,359	4,100	29,978	73,400	42,775
1973	56,085	146,604	3,800	32,283	82,700	44,414
1974	60,810	138,609	3,600	35,366	92,400	45,886
1975	72,210	186,593	3,100	39,248	103,700	44,342
1976	88,990	211,609	3,065	44,089	117,200	41,133
1977	101,520	225,147	2,584	50,832	130,800	35,861
1978	119,110	257,374	2,787	57,677	142,573	31,746
1979	139,180	318,618	2,611	65,914	161,649	30,291
1980	165,845	412,659	2,086	75,802	185,226	26,453
1981	190,925	431,012	1,126	86,867	209,444	24,539
1982	225,195	518,071	460	99,462	245,252	24,778†
1983	264,575	606,800	601	114,219	289,731	24,867†
1984	309,080	623,300	3,712	129,787	324,369	31,075†
1985	371,305	738,500	5,109	148,119	373,932	42,163†

Note: Some data are revised. These data are as of various dates during the year, since the fiscal years of the plans are not necessarily the same. Trends from year to year are not affected.

*Includes members of the U.S. Civil Service Retirement System, the Tennessee Valley Retirement System, the Foreign Service Retirement System, and the Retirement System of the Federal Reserve Banks, which includes the Bank Plan and the Board of Governors' plan.

**Beginning in 1957, assets of Disability Insurance Trust Funds are included. Hospital and Supplementary Medical Insurance is not included.

†Includes funds borrowed from the Hospital Insurance Trust Fund.

Source: Compiled by the American Council of Life Insurance.

Private Pension Plans with Life Insurance Companies

The number of Americans covered by pension plans with life insurance companies totaled 40.0 million at year-end 1985, an increase of 4.5 million over last year. This figure includes retired persons receiving pension benefits, those who have left employment with vested pension credits, and those still actively at work. There is some duplication due to persons being covered under more than one plan.

Pension reserves behind plans with life companies at year-end totaled $371.3 billion, an increase of 20.1% over year-end 1984, and five times greater than 10 years ago. These reserves include the funds behind pension plan variable annuities, which are based wholly or in part on equity investments.

Group annuities cover the largest number of persons under pension plans with life insurance companies. The traditional type is the deferred group annuity, under which a paid-up annuity is purchased each year for each employee, with the sum of these benefits paid as monthly income upon retirement. Deposit administration type plans set up a single fund for all employees in the pension group; money is withdrawn to buy an annuity for an employee when he retires. Immediate participation guarantee plans are a variation of this type, with participation in gains or losses from mortality and investments as they occur, rather than being spread over the life of the contract.

Under terminal funded plans, reserves are usually not set up with the insurance company until the employee is about to retire. Funding for the prospective pension prior to retirement may be handled in a variety of ways.

Individual policy pension trusts, group permanent plans, and profit-sharing plans—often used by smaller firms—were in effect for 1.7 million persons. Individual policy pension trusts usually involve the purchase of a whole life or endowment policy for each person to provide retirement benefits. Group permanent plans use whole life or endowment policies on a group basis keyed to retirement. Profit-sharing plans generally provide for an individual fund for each participant annually.

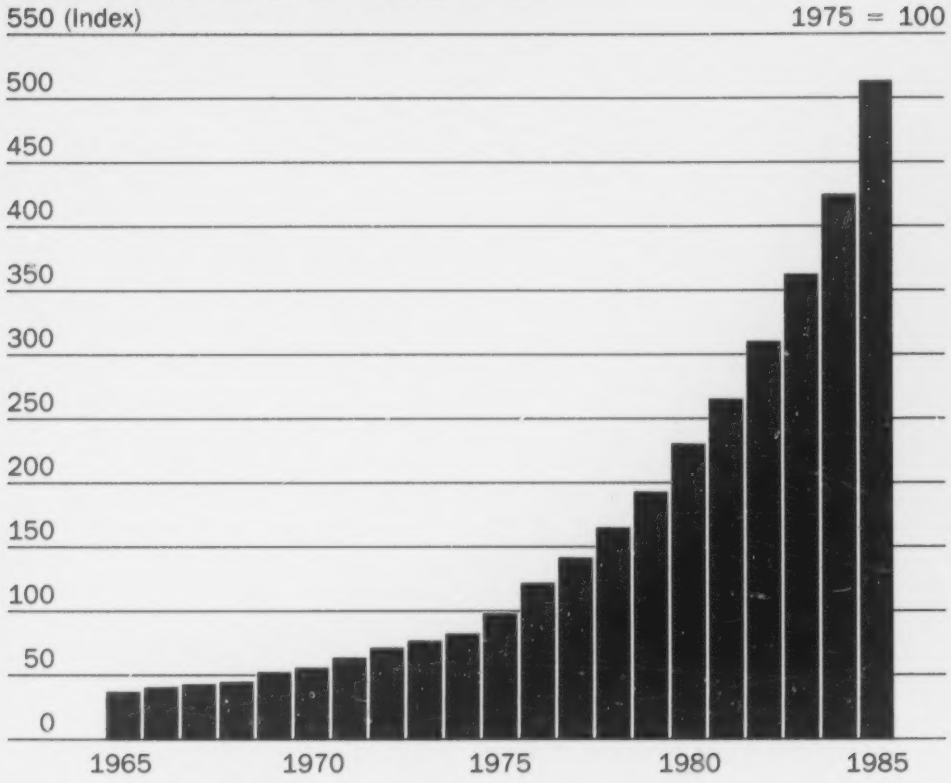
The Employee Retirement Income Security Act of 1974 (ERISA) allowed individuals to set up their own Individual Retirement Accounts (IRAs) if there was no private pension plan where they worked. By year-end 1981, 1,140,000 persons had set up such plans with life insurance companies, and the reserves for such plans amounted to $3.3 billion.

The Economic Recovery Act of 1981 raised contribution limits on Individual Retirement Accounts and extended IRA eligibility to persons covered by employer pension plans, as of January 1, 1982. Since then the number of IRAs with life insurance companies increased by 2.4 million, or 208.3%, and reserves increased by $13.6 billion to a total of $17.0 billion at year-end 1985.

In 1985, payments of $10.4 billion were made under life company pension plans to 4.0 million persons. Of this amount, $9.4 billion was paid to 3.4 million persons with group annuity and terminal funded plans, and $985 million to 515,000 persons having individual policy pension trusts, group permanent and other plans. The number of persons receiving payments has more than doubled in the past 10 years, and the total annual payments have more than tripled.

Legislation in most states allows life insurance companies to maintain separate investment accounts for a given pension plan or group of plans. More latitude in equity investments is permitted for separate accounts than for life insurance company investments generally. Pension reserves in separate accounts were $80.1 billion at the end of 1985.

Relative Growth in Life Insurance Companies' Pension Reserves in the United States



Private Pension Plans In the United States With Life Insurance Companies

Type of Plan by Year	In Force at Year End				Payments into Plans in Year (000,000 omitted)	Pension Payments during Year	
	Number of Plans	Number of Persons Covered (000 omitted)	Total Reserves Including Separate Accounts (000,000 omitted)	Separate Account Reserves (000,000 omitted)		Number of Persons Receiving Payments (000 omitted)	Pension Payments (000,000 omitted)
1983							
Group Annuities†	111,720	23,165	$200,170	$59,040	$15,670	2,580	$ 6,485
Terminal Funded Group Plans	6,210	285	5,835	50	585	220	495
Individual Policy Pension Trusts‡	231,630	1,880	8,650	870	1,545	140	190
HR 10 (Keogh) Plans	—	495	3,125	440	390	15	35
Tax-Sheltered Annuities	—	2,455	19,715	3,140	3,785	65	135
Individual Retirement Accounts	—	2,630	8,995	630	2,650	15	25
Other Plans	—	1,515	18,085	360	1,980	185	240
Total	—	32,425	$264,575	$64,530	$26,605	3,220	$ 7,605
1984							
Group Annuities†	118,120	25,390	$229,490	$57,050	$17,275	2,815	$ 7,065
Terminal Funded Group Plans	7,240	415	9,440	60	2,210	285	685
Individual Policy Pension Trusts‡	196,450	1,705	8,435	900	1,420	145	205
HR 10 (Keogh) Plans	—	465	3,250	420	475	20	55
Tax-Sheltered Annuities	—	2,860	23,895	3,160	4,410	80	205
Individual Retirement Accounts	—	3,150	12,550	1,230	3,290	20	50
Other Plans	—	1,525	22,020	370	2,310	185	255
Total	—	35,510	$309,080	$63,190	$31,390	3,550	$ 8,520
1985							
Group Annuities†	122,310	28,700	$272,055	$72,670	$27,305	3,000	$ 8,310
Terminal Funded Group Plans	8,520	845	14,005	60	3,560	445	1,060
Individual Policy Pension Trusts‡	197,940	1,735	9,605	1,040	1,865	150	250
HR 10 (Keogh) Plans	—	450	3,325	440	475	20	60
Tax-Sheltered Annuities	—	3,135	28,710	3,730	4,455	115	300
Individual Retirement Accounts	—	3,515	16,955	1,900	3,660	25	60
Other Plans	—	1,630	26,650	280	3,230	205	315
Total	—	40,010	$371,305	$80,120	$44,550	3,960	$10,355

†Includes Immediate Participation Guarantee and Deposit Administration plans.

‡Includes Group Permanent plans and profit-sharing plans.

Source: American Council of Life Insurance.

LAPSES AND SURRENDERS

The overall voluntary termination rate of ordinary life insurance policies in 1985 was 12.3%. The rate for older policies is significantly lower than for newer ones. The rate for policies in force less than two years was 20.9%; for those in force for two years or longer it was 10.3%.

In 1985, a total of $15.6 billion in cash values was paid to American policyholders. This figure does not include cash values used to obtain paid-up life insurance in a reduced amount or extended coverage for a specified period of time.

Policyholders have different reasons for terminating their policies; sometimes they use cash values to meet financial emergencies or in accordance with long-term goals. Also, in periods of inflation policy lapses increase.

Rates of voluntary policy termination by policyholders vary considerably among life insurance companies. Each company's rate depends upon many factors, including the types of policies written and the ratio of new policies to older ones in force with the company.

The life insurance business strongly seeks to minimize the lapsing of policies. For example, the training of agents focuses on realistic identification of the life insurance needs of clients and the careful analysis of the use of family income for protection purposes. Since there is a higher termination rate of policies on which loans are outstanding, companies urge that loans be used only in genuine financial emergencies, and that they be promptly repaid.

Most companies offer policyholders time after delivery of the policy in which to consider whether to keep the policy. These companies will refund the premium in full if, within the prescribed time, the policyholder decides not to keep the policy.

Voluntary Termination Rate

Ordinary Policies in Force in the United States

Year	Policies In Force Less Than 2 Years	Policies In Force 2 Years or More	All Policies In Force	Year	Policies In Force Less Than 2 Years	Policies In Force 2 Years or More	All Policies In Force
1951	9.4%	2.2%	3.2%	1974	19.5%	4.5%	6.5%
1955	11.4	2.5	3.8	1975	20.9	4.5	6.7
1960	14.5	3.7	5.2	1976	19.7	4.6	6.6
1965	15.4	3.5	5.1	1977	19.5	4.7	6.6
1966	16.2	3.5	5.2	1978	19.6	4.6	6.6
1967	16.5	3.6	5.2	1979	21.0	5.1	7.2
1968	18.0	3.7	5.5	1980	22.4	5.8	8.1
1969	18.3	3.7	5.6	1981	23.5	6.6	8.9
1970	19.3	3.9	5.9	1982	24.4	7.6	10.0
1971	19.0	3.9	5.8	1983	25.1	8.6	11.0
1972	19.3	3.9	6.0	1984	23.0	9.6	11.9
1973	18.8	4.3	6.3	1985	20.9	10.3	12.3

Note: The rate is the ratio of the number of policies lapsed or surrendered to the mean number of policies in force. Beginning with 1984, the number of companies providing data for the calculation of these rates was increased, so that the percentage of the industry represented increased by 4.4%, to 90.1%. This resulted in a slightly higher termination rate on older policies and a slightly lower rate on newer policies than would have occurred among the smaller group of companies, but there was no appreciable difference in the overall termination rate.

Source: American Council of Life Insurance.

INCOME OF LIFE INSURANCE COMPANIES

Life insurance companies receive funds from two main sources: premiums paid by policyholders and earnings on investment.

There is a close relationship between these income elements. Part of each premium payment becomes available for investment in the nation's economy. In calculating premiums, the anticipated investment earnings are taken into account, thereby reducing the price of life insurance to policyholders.

In 1985, total income of all U.S. life companies was $234.0 billion; 66.6% was from premium receipts and 29.0% from investment earnings. The remaining 4.4% came from other sources, mainly considerations (payments) for supplementary contracts.

Premium receipts and annuity considerations totaled $155.9 billion. Americans spent the equivalent of 4.04% of total disposable personal income in 1985 for life insurance and annuities, compared with 3.17% during 1984.

Income of U.S. Life Insurance Companies (000,000 omitted)

	Premium Receipts						
Year	Life Insurance Premiums	Annuity Considera-tions	Health Insurance Premiums*	Total Premium Receipts	Investment Income**	Other Income†	Total Income
1911	$ 626	$ 4	—	$ 630	$ 182	$ 24	$ 836
1915	776	6	—	782	241	20	1,043
1920	1,374	7	—	1,381	341	42	1,764
1925	2,340	38	—	2,378	551	89	3,018
1930	3,416	101	—	3,517	891	186	4,594
1935	3,182	491	—	3,673	1,013	386	5,072
1940	3,501	386	—	3,887	1,231	540	5,658
1945	4,589	570	—	5,159	1,445	1,070	7,674
1950	6,249	939	$ 1,001	8,189	2,075	1,073	11,337
1955	8,903	1,288	2,355	12,546	2,801	1,197	16,544
1960	11,998	1,341	4,026	17,365	4,304	1,338	23,007
1965	16,083	2,260	6,261	24,604	6,778	1,785	33,167
1970	21,679	3,721	11,367	36,767	10,144	2,143	49,054
1971	22,935	4,910	12,897	40,742	11,031	2,429	54,202
1972	24,678	5,503	14,318	44,499	12,127	2,222	58,848
1973	26,373	6,771	15,524	48,668	13,670	2,415	64,753
1974	27,750	7,737	17,123	52,610	15,144	2,256	70,010
1975	29,336	10,165	19,074	58,575	16,488	2,959	78,022
1976	31,358	13,962	21,059	66,379	16,758	3,421	88,558
1977	33,765	14,974	23,580	72,319	21,713	3,953	97,985
1978	36,592	16,339	25,829	78,760	25,294	4,152	108,206
1979	39,083	17,939	27,894	84,916	29,562	4,661	119,139
1980	40,829	22,429	29,366	92,624	33,928	4,336	130,888
1981	46,246	27,579	31,803	105,628	39,774	6,464	151,866
1982	50,800	34,644	34,960	120,404	45,532	4,108	170,044
1983	50,265	30,544	38,201	119,010	50,862	6,154	176,026
1984	51,274	42,859	40,671	134,804	59,213	12,092	206,109
1985	60,127	53,899	41,837	155,863	67,952	10,212	234,027

Note: Consideration for supplementary contracts with and without life contingencies are included under "Other Income." Prior to 1947, the business of health departments was not included in this series.

*Includes some premiums for Workers' Compensation and auto and other liability insurance.

**Beginning with 1951, investment income is net of investment expenses in this series.

†Beginning in 1975, "Other Income" includes commissions and expense allowance on reinsurance ceded. In 1975, this amounted to $382 million.

Sources: *Spectator Year Book* and American Council of Life Insurance.

Some 38.6% of all premium receipts in 1985 was accounted for by life insurance. This proportion has declined in relation to the income received from annuities and health insurance. In 1965, the proportion was 65.4%; by 1975 the proportion had dropped to 50.1%.

Premium Receipts

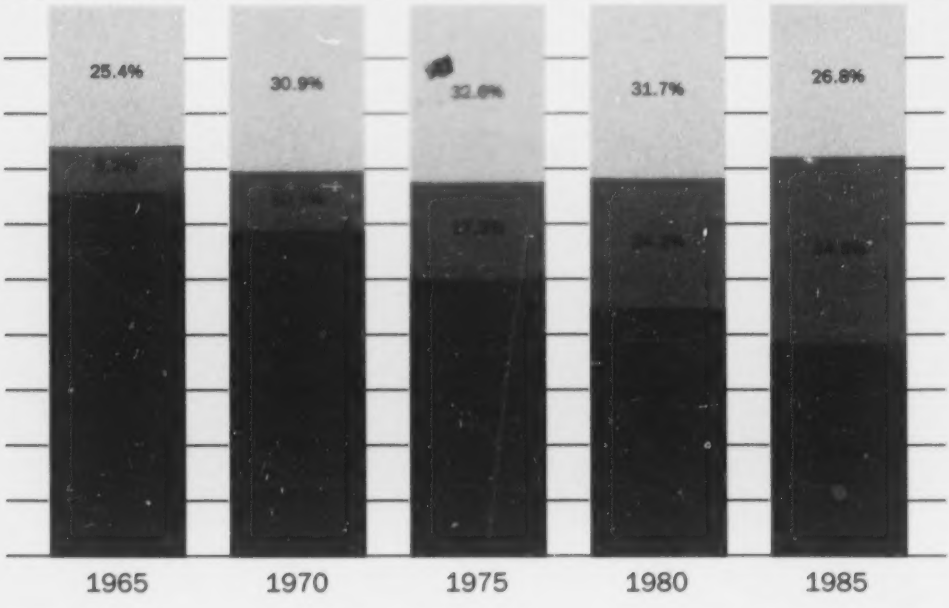
U.S. Life Insurance Companies (000,000 omitted)

	1981	1982	1983	1984	1985
LIFE INSURANCE PREMIUMS					
Ordinary	$ 34,474	$ 38,371	$ 37,978	$ 38,625	$ 46,096
Group	8,996	9,433	9,560	9,702	11,041
Industrial	1,222	1,484	1,066	1,108	905
Credit	1,554	1,512	1,661	1,839	2,085
Total Life Insurance Premiums	46,246	50,800	50,265	51,274	60,127
ANNUITY CONSIDERATIONS					
Individual	10,290	15,196	14,003	15,706	20,891
Group	17,289	19,448	16,541	27,153	33,008
Total Annuity Considerations	27,579	34,644	30,544	42,859	53,899
HEALTH INSURANCE PREMIUMS					
Individual	6,531	7,168	7,926	8,626	9,143
Group	24,437	26,930	29,131	30,704	31,023
Credit	835	862	1,144	1,341	1,671
Total Health Insurance Premiums	31,803	34,960	38,201	40,671	41,837
Total Premium Receipts	$105,628	$120,404	$119,010	$134,804	$155,863

Note: Credit life insurance is limited to insurance on loans of 10 years' or less duration.

Source: American Council of Life Insurance

Distribution of Premium Receipts of U.S. Life Insurance Companies



*Includes some premiums for Workers' Compensation and auto and other liability insurance.

Ratio of Premiums and Annuity Considerations to Disposable Personal Income

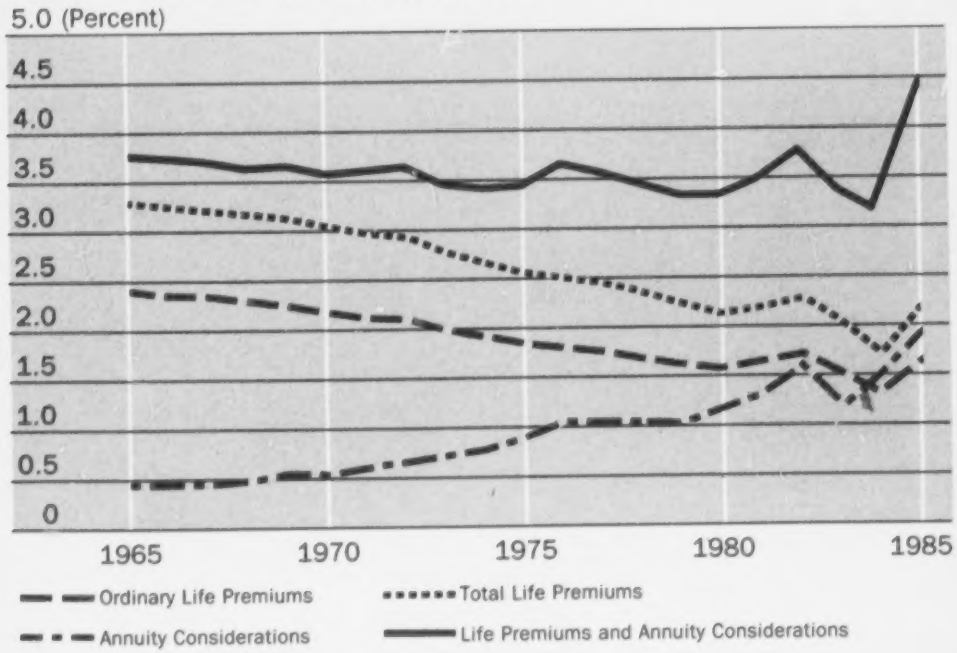
Year	Ordinary Life Premiums	Total Life Premiums	Annuity Considerations	Total
1929	N.A.	3.98%	.11%	4.09%
1930	N.A.	4.68	.14	4.82
1935	N.A.	5.50	.85	6.34
1940	3.37%	4.67	.51	5.18
1945	2.18	3.06	.38	3.46
1950	2.16	3.01	.45	3.46
1955	2.24	3.19	.46	3.66
1960	2.41	3.34	.37	3.72
1965	2.41	3.30	.46	3.77
1970	2.19	3.03	.52	3.55
1971	2.13	2.95	.63	3.58
1972	2.11	2.94	.66	3.59
1973	1.98	2.78	.71	3.49
1974	1.91	2.67	.75	3.42
1975	1.84	2.57	.89	3.46
1976	1.80	2.50	1.11	3.62
1977	1.75	2.45	1.09	3.53
1978	1.70	2.36	1.05	3.41
1979	1.62	2.26	1.04	3.30
1980	1.54	2.13	1.17	3.30
1981	1.62	2.17	1.30	3.47
1982	1.70	2.25	1.53	3.78
1983	1.56	2.07	1.26	3.33
1984	1.30	1.73	1.44	3.17
1985	1.63	2.13	1.91	4.04

Note: Data are revised. Credit life premiums were included in the "Ordinary Life" category in years prior to 1973 and excluded from that category in 1973 and subsequent years. The sum of "Total Life Premiums" and "Annuity Considerations" may not add to "Total" in some cases, due to rounding.

N.A.—Not available.

Sources: U.S. Department of Commerce, *Spectator Year Book* and American Council of Life Insurance.

Ratio of Premiums to Disposable Personal Income



Ordinary policy premiums accounted for $46.1 billion, or 76.7% of the life insurance premiums in 1985. Most ordinary premiums, 61.8%, were renewals. Group insurance premiums amounted to $11.0 billion, or 18.3% of all life insurance premiums, while industrial premiums accounted for $905 million, or 1.5%. Credit life premiums totaled $2.1 billion, or 3.5%.

Annuity considerations totaled $53.9 billion, or 34.6% of total premium income in 1985. These payments have grown rapidly as a proportion of total premium receipts, especially since enactment of the federal pension legislation in 1974. In 1965, the proportion was 9.2%, and by 1975 it grew to 17.4%. Significant increases in 1975 and 1976 were due primarily to large inflows of funds for group annuity contracts and for new issues of individual annuities. The amount of first-year considerations for individual annuities in 1985 was $3.4 billion. Total considerations were equal to 1.91% of disposable personal income in 1985, compared with 1.44% in 1984.

Health insurance premiums accounted for $41.8 billion, or 26.8% of total premiums in 1985, a smaller percentage than 10 years earlier.

Ordinary Life Insurance Premium Receipts

U.S. Life Insurance Companies (000,000 omitted)

	First Year	Single	Renewal	Total
1969	$ 1,758	$ 784	$12,291	$14,833
1970	1,869	843	12,951	15,663
1971	1,985	955	13,627	16,567
1972	2,196	1,087	14,418	17,701
1973	2,380	1,033	15,345	18,758
1974	2,575	1,136	16,112	19,823
1975	2,705	1,244	17,083	21,032
1976	3,034	1,359	18,099	22,492
1977	3,314	1,482	19,365	24,161
1978	3,668	1,730	20,943	26,341
1979	4,019	1,851	22,100	27,970
1980	4,520	2,183	22,760	29,463
1981	5,927	2,242	26,305	34,474
1982	5,948	2,935	29,488	38,371
1983	6,910	4,008	27,060	37,978
1984	8,794	4,513	25,318	38,625
1985	10,858	6,760	28,478	46,096

Note: Credit life premiums were included in data for 1969-1972. Beginning with 1973, credit life insurance premiums on loans of 10 years' or less duration are excluded.

Source: American Council of Life Insurance. Premium information on a slightly different basis was collected for the years 1957-1968 by the Life Insurance Marketing and Research Association.

Premium Receipts of U.S. Life Insurance Companies by State

(000,000 omitted)

	1983		1984		1985	
	Life	Health	Life	Health	Life	Health
Alabama	$ 777	$ 561	$ 828	$ 584	$ 921	$ 621
Alaska	82	108	94	119	105	123
Arizona	508	550	607	668	726	698
Arkansas	317	279	347	273	374	279
California	4,158	4,069	4,508	4,446	5,331	4,577
Colorado	655	615	735	664	828	685
Connecticut	754	541	824	592	983	601
Delaware	179	96	219	114	246	135
D.C.	216	295	165	337	179	279
Florida	2,020	2,015	2,221	2,210	2,601	2,322
Georgia	1,192	1,058	1,280	1,118	1,442	1,186
Hawaii	225	83	245	88	285	81
Idaho	165	105	180	111	196	110
Illinois	2,467	2,627	2,589	2,728	3,019	2,722
Indiana	1,055	912	1,118	946	1,219	995
Iowa	703	478	757	488	824	477
Kansas	529	375	576	392	631	386
Kentucky	551	407	596	429	651	456
Louisiana	939	817	1,017	826	1,092	826
Maine	170	150	187	161	211	174
Maryland	860	535	889	570	1,002	619
Massachusetts	1,139	815	1,205	831	1,408	871
Michigan	1,551	1,120	1,639	1,195	1,888	1,182
Minnesota	757	707	828	678	939	642
Mississippi	381	433	413	421	467	444
Missouri	947	1,066	1,015	1,132	1,176	1,156
Montana	143	122	154	124	178	118
Nebraska	375	340	418	356	438	366
Nevada	142	174	151	176	177	165
New Hampshire	174	117	191	129	223	136
New Jersey	1,713	1,209	1,850	1,251	2,095	1,310
New Mexico	218	216	232	234	254	235
New York	3,667	2,919	3,994	3,123	4,443	3,302
North Carolina	1,149	830	1,269	874	1,408	911
North Dakota	136	77	144	78	170	90
Ohio	2,124	1,605	2,239	1,657	2,489	1,684
Oklahoma	620	563	638	553	693	564
Oregon	419	360	458	372	493	364
Pennsylvania	2,351	1,355	2,505	1,362	2,808	1,426
Rhode Island	197	62	212	67	238	86
South Carolina	607	429	665	444	739	445
South Dakota	141	145	160	150	178	146
Tennessee	843	768	888	821	1,008	868
Texas	2,985	2,943	3,207	3,116	3,615	3,119
Utah	275	213	300	212	329	213
Vermont	90	62	101	69	112	65
Virginia	1,060	672	1,136	717	1,267	726
Washington	651	466	731	502	827	487
West Virginia	295	258	312	265	327	278
Wisconsin	877	806	936	873	1,044	851
Wyoming	92	82	103	84	113	86
Total U.S.	$44,641	$37,610	$48,076	$39,730	$54,410	$40,688

Note: Data refer to direct premiums collected in each state, without deducting reinsurance ceded, but excluding reinsurance assumed and deposit administration funds.

Source: American Council of Life Insurance.

Earning Rate

The net rate of investment income on invested assets of life insurance companies rose to 9.63% in 1985 from 9.45% in 1984. This rate is an annual average based on aggregates of all U.S. life insurance companies after investment expenses but before federal income taxes.

Investment income is largely interest income on bonds and mortgage loans, dividends on stocks, and rent on real estate owned. Capital gains or losses are excluded from investment income.

The increase of 18 basis points in the portfolio rate of investment income in 1985 compares to a rise of 49 basis points in 1984.

Many life companies maintain separate investment accounts for various life insurance and retirement plans. At year-end 1985, common stocks were 38.5% of separate account assets, up from 34.6% in 1984.

Excluding the separate accounts, the portfolio rate of the general accounts averaged 9.87% in 1985. The general account rate of investment income improved 22 basis points from 1984.

Net Rate of Investment Income

U.S. Life Insurance Companies

Year	Rate	Year	Rate
1915	4.77%	1940	3.45%
1920	4.83	1945	3.11
1925	5.11	1950	3.13
1930	5.05	1955	3.51
1935	3.70	1960	4.11

	Rate			Rate	
Year	Including Separate Accounts	Excluding Separate Accounts	Year	Including Separate Accounts	Excluding Separate Accounts
1965	4.61%	4.61%	1976	6.55%	6.68%
1966	4.73	4.73	1977	6.89	7.00
1967	4.82	4.83	1978	7.31	7.39
1968	4.95	4.97	1979	7.73	7.78
1969	5.12	5.15	1980	8.02	8.06
1970	5.30	5.34	1981	8.57	8.53
1971	5.44	5.52	1982	8.91	8.87
1972	5.56	5.69	1983	8.96	9.06
1973	5.88	6.00	1984	9.45	9.65
1974	6.25	6.31	1985	9.63	9.87
1975	6.36	6.44			

Note: The net rate of investment income is calculated using industry aggregates, and represents the ratio of (1) net investment income to (2) mean invested assets (including cash) less half the net investment income. Before 1940, some federal income taxes were deducted from net investment income; beginning with 1940, the rates are calculated before deducting any federal income taxes.

Source: American Council of Life Insurance.

THE LIFE INSURANCE DOLLAR

The financial transactions of life insurance companies may be best summarized if expressed in terms of a single dollar of income received and expended. This composite dollar represents the total for the business as a whole, and the pattern will be different for individual companies or groups of companies, depending on types of business written, age and type of company and many other factors.

The major proportion of each composite dollar of income received by U.S. life insurance companies is accounted for by premiums and annuity considerations. In 1985 premiums paid for life and health insurance policies and payments for annuities accounted for 68.6 cents. The remainder of the composite dollar consisted chiefly of earnings on investments.

These proportions vary significantly by each line of business. The major share for all lines comes from premiums, but for the life insurance and annuity lines a large proportion comes from investment earnings. Data for 1983 (the latest year for which information is available) show that investment earnings accounted for 29.4 cents of each life insurance income dollar and 47.6 cents of each annuity income dollar.

The proportions of premium income and investment earnings vary significantly by type of life insurance company. For mutual companies the proportion of the company dollar represented by insurance premiums and annuity considerations was 63.4 cents in 1985 and investment earnings and other income accounted for 36.6 cents. For stock companies, insurance premiums and payments for annuities accounted for 72.4 cents of the combined company dollar, while the balance, chiefly investment earnings, represented 27.6 cents.

Life Insurance Company Dollar 1985

U.S. Life Insurance Companies

INCOME	
Premiums	68.6¢
Net Investment Earnings and Other Income	31.4
	100.0¢
HOW USED	
Benefit Payments and Additions to Funds for Policyholders and Beneficiaries	
Benefit Payments in Year	45.7¢
Additions to Policy Reserve Funds	33.4
Additions to Special Reserves and Surplus Funds	1.9
	81.0
Operating Expenses	
Commissions to Agents	5.9
Home and Field Office Expenses	9.0
	14.9
Taxes	2.7
Dividends to Stockholders of Stock Life Insurance Companies	1.4*
	100.0¢

Note: Certain offsetting items such as considerations for supplementary contracts are excluded, so that the total used ($223,644.1 million) differs from that shown on page 59. Direct investment taxes (such as real estate) are excluded from taxes and are deducted, with other investment expenses, from investment income. Federal income taxes, however, are included in taxes.

*For stock companies only this ratio would be 2.3¢ per dollar.

Source: American Council of Life Insurance.

Proportions of premium income and investment earnings also differ by size of company. Larger companies generally receive a greater share of their income dollar from investment income.

In 1985, mutual life insurance companies with $500 million or more in assets as of 1980 received 63.0 cents of their income dollar from premiums and 37.0 cents from investment earnings and other income; whereas mutual companies with under $500 million in assets as of 1980, received 75.0 cents from premiums and 25.0 cents from investments and other income.

For stock life insurance companies, the proportion of the 1985 income dollar represented by premiums and annuity considerations was 67.4 cents for companies with assets of $500 million or more as of 1980 and 78.1 cents for companies with under $500 million in assets as of 1980.

Of the 1985 industry outgo dollar, 81.0 cents was assigned to meet current or future obligations. That included 45.7 cents paid in benefits to policyholders or to beneficiaries during the year, 33.4 cents added to policy reserves for future benefit payments and 1.9 cents added to special reserves and surplus funds. Current benefits were 51.4 cents of the mutual company outgo dollar in 1985, compared with 41.5 cents of the stock company dollar.

The outgo dollar also varies by major line of business. For the life insurance line, 54.7 cents of the income dollar in 1983 (the latest year for which data are available) was needed for benefits and 20.6 cents was added to reserves. The annuity line set aside 63.3 cents for reserves, while the health line needed 67.1 cents of the income dollar to pay claims and policy dividends.

Operating expenses based on industry aggregates declined from the previous year to 14.9 cents. This proportion had remained about the same for several decades. Its decline during the past seven years reflected the expansion of the annuity field; annuities have lower sales expenses. Included in the 1985 figure were 9.0 cents for expenses of home and field offices and 5.9 cents for commissions to agents.

The expense share, as measured by this analysis, applies to the entire life insurance business, and not to any single company. The proportions vary widely among companies, depending on such factors as the types of coverage offered by a given company and its ratio of recently issued insurance to its total insurance in force. Expenses are relatively higher for new policies because the initial costs of issuing and selling a policy are higher than those of maintaining older policies.

A total of 2.7 cents was used for taxes (not including taxes directly connected with investment, such as real estate taxes). On an overall dollar basis, stock dividends to shareholders amounted to 1.4 cents. For mutual life insurance companies, of course, this amounted to zero; for stock life companies, dividends to shareholders amounted to 2.3 cents of the outgo dollar.

TAXES

U.S. life insurance companies incurred federal, state and local government taxes, licenses and fees of nearly $7.8 billion on their 1985 operations. Most of the taxes incurred on life company operations in 1984 were paid in that year but some were carried over to 1985.

In the summer of 1984, Congress enacted new federal income tax laws for life companies, replacing the stopgap legislation that had been in effect in 1982 and 1983. As expected, legislation increased significantly the total of federal income taxes incurred by the nation's life insurance companies, the annual figure rising from $1.2 billion in 1983 to $2.8 billion in 1984 and $4.1 billion in 1985.

The federal income taxes reported are taken from annual statements rather than from income tax returns. They are based on cash payments for the year plus the change in tax reserves (estimated liabilities) during the year. Taxes actually incurred in 1985 and reported in income tax returns may differ from the annual statement figures for a variety of reasons.

State premium taxes and federal income taxes together accounted for over three-fourths of the taxes, licenses and fees incurred by life companies in 1985. State premium taxes amounted to $1.8 billion.

Life companies also paid $814 million in Social Security taxes in 1985. Real estate taxes were $537 million, while other taxes, licenses and fees amounted to $487 million.

Taxes, Licenses and Fees of U.S. Life Insurance Companies

(000,000 omitted)

Year	State Taxes on Premiums	Federal Social Security Taxes	Federal Income Taxes	Real Estate Taxes	Other Taxes, Licenses and Fees	Total
1947	$ 100	$ 7	$ 23	$ 17	$ 20	$ 167
1950	123	12	20	27	23	205
1955	189	26	189	39	29	472
1960	270	53	479	68	50	920
1965	396	77	741	98	63	1,375
1970	568	159	1,232	149	96	2,204
1971	660	178	1,451	172	121	2,582
1972	708	198	1,544	198	142	2,790
1973	766	249	1,803	207	157	3,182
1974	785	280	1,915	224	174	3,378
1975	840	299	1,910	282	188	3,519
1976	914	321	2,209	291	219	3,954
1977	1,000	345	2,526	312	248	4,431
1978	1,077	389	2,994	336	282	5,078
1979	1,131	449	3,269	286	331	5,466
1980	1,177	493	2,551	317	306	4,844
1981	1,256	588	1,774	324	295	4,237
1982	1,402	629	1,580	402	354	4,367
1983	1,551	717	1,208	439	371	4,286
1984	1,636	794	2,785	460	429	6,104
1985	1,791	814	4,134	537	487	7,763

Note: Before 1972, taxes, licenses and fees shown are on a paid basis. Beginning with 1972, these items are on an incurred basis.

Source: American Council of Life Insurance.

RESERVES AND OTHER OBLIGATIONS

Policy reserves of U.S. life insurance companies totaled $665.3 billion at the end of 1985. These reserves represent the funds set aside to meet the companies' future obligations to policyholders and their beneficiaries.

Each company is required by state law to maintain its policy reserves at a level that will assure payment of all policy obligations as they fall due. The amount is calculated on an actuarial basis, taking into account the funds forthcoming from future premium payments, assumed future interest earnings and expected mortality experience.

Total reserves of the life companies at the end of 1985 included $235.9 billion for life insurance policies, $18.8 billion for health insurance policies and $410.6 billion for annuities and supplementary contracts involving both lifetime payments and payments that are for specified periods or in designated amounts.

Life insurance policy reserves consisted of $211.8 billion for ordinary life policies, nearly $10.0 billion for group policies, $12.4 billion for industrial life policies, and $1.7 billion for credit life policies.

Annuity reserves consisted of $97.0 billion for individual annuities, $303.0 billion for group annuities and $5.9 billion for life annuities under supplementary contracts with life contingencies.

Policy Reserves

U.S. Life Insurance Companies (000,000 omitted)

Year	Amount	Year	Amount	Year	Amount	Year	Amount
1890	$ 670	1910	$3,226	1925	$ 9,927	1940	$27,238
1900	1,443	1915	4,399	1930	16,231	1945	38,667
1905	2,295	1920	6,338	1935	20,404	1950	54,946

			Annuities				
					Supplementary Contracts		
Year	Life Insurance	Health Insurance	Individual	Group	With Life Contingencies	Without Life Contingencies	Total
1955	$ 54,588	$ 575	*	$ 13,216	$1,895	$5,085	$ 75,359
1960	70,791	865	$ 4,327	14,952	2,674	4,864	98,473
1965	90,795	1,432	5,028	22,187	3,281	4,897	127,620
1970	115,442	3,474	6,951	34,009	3,726	4,177	167,779
1971	121,585	3,892	7,655	38,476	3,905	4,136	179,649
1972	128,257	4,347	8,560	43,503	3,937	4,155	192,759
1973	135,292	4,910	9,482	46,607	4,066	4,164	204,521
1974	142,273	5,607	10,511	49,861	4,176	4,079	216,507
1975	150,063	6,293	12,442	59,007	4,280	4,131	237,116
1976	158,359	6,962	15,347	73,393	4,410	4,304	262,775
1977	167,281	8,329	18,932	84,285	4,563	4,542	287,932
1978	177,743	9,596	23,057	98,673	4,751	4,663	318,483
1979	188,177	10,416	27,103	116,443	4,985	4,513	351,637
1980	197,865	11,015	31,543	140,417	5,215	4,284	390,339
1981	206,986	11,931	38,800	160,992	5,364	3,958	428,031
1982	213,783	13,181	51,002	191,898	5,654	3,842	479,360
1983	220,968	14,956	64,661	221,724	5,873	4,259	532,441
1984	225,904	16,552	76,983	254,592	5,831	4,331	584,193
1985	235,854	18,805	96,969	303,021	5,941	4,712	665,302

Note: Before 1947, the business of health insurance departments of life companies was not included in this series.

*Included with "Group Annuities."

Sources: *Spectator Year Book* and American Council of Life Insurance.

The composition of life company policy reserves has been changing over the years, reflecting a shift in the basic types of business done by life companies. Life insurance policy reserves are declining in relation to the proportion of reserves set aside for annuity contracts. In 1965, life insurance reserves were 71.1% of the total. By 1975, the proportion was 63.3%, and, by 1985, it had dropped to 35.5%. In the same period, annuity reserves increased from 23.9% in 1965 to 32.3% in 1975 and to 61.0% at the end of 1985. Most of the increase in annuity reserves is a result of the growth of pension plans administered by life insurance companies.

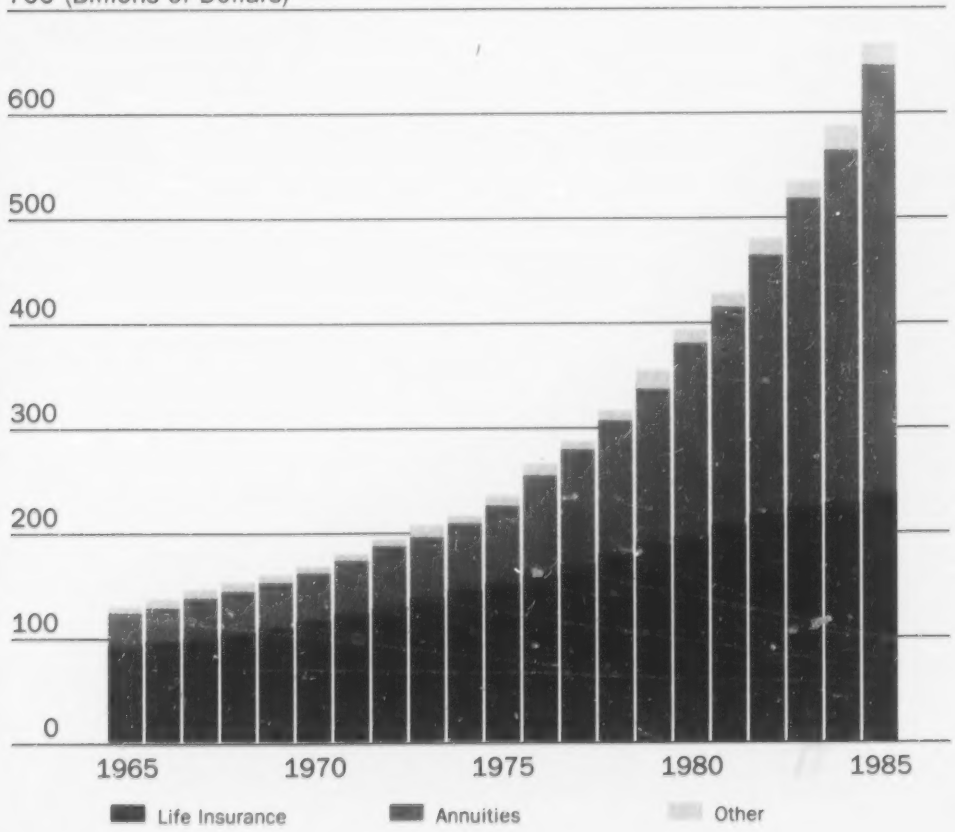
In addition to policy reserves, other funds of U.S. life insurance companies at the end of 1985 included $14.6 billion in accumulated policy dividends left with the life insurance companies at interest; some $11.7 billion set aside for the following year's policy dividend payments; and $77.5 billion for other obligations such as incurred expenses, mandatory reserves for fluctuations in security values and insurance premiums paid in advance.

Included in reserves and obligations at the end of 1985 was $86.2 billion in separate investment accounts, used for certain types of pension plans and for variable life insurance and annuities.

Surplus funds amounted to $54.0 billion at the end of 1985. These funds provided extra reserve safeguards for such contingencies as an unexpected rise in death rates

Growth of Policy Reserves

U.S. Life Insurance Companies



among policyholders, for unusual changes in the value of securities, or as general protection for policy obligations. The amount of surplus retained by a life company depends on several factors including the size of the company, kinds of insurance written, mortality experience, general business conditions and government regulation.

Total capital of life insurance companies owned by stockholders was over $2.7 billion at the end of 1985. This amount represents the total par value of the shares of the companies' capital stock.

Stock life companies accounted for $311.0 billion, or 46.7% of the total reserves of all U.S. life insurance companies in 1985. Reserves of mutual life companies amounted to $354.3 billion, or 53.3% of the total.

Life Insurance Policy Reserves by Type

U.S. Life Insurance Companies (000,000 omitted)

Year	Ordinary	Group	Industrial	Credit	Total
1956	$ 47,429	$ 787	$ 9,446	—	$ 57,662
1960	58,897	1,267	10,627	—	70,791
1965	76,865	2,011	11,919	—	90,795
1970	100,076	3,093	12,273	—	115,442
1975	132,032	4,995	12,336	$ 700	150,063
1976	139,356	5,648	12,635	720	158,359
1977	147,414	6,415	12,624	828	167,281
1978	156,862	7,219	12,627	1,035	177,743
1979	166,106	8,132	12,682	1,257	188,177
1980	175,250	8,818	12,622	1,175	197,865
1981	183,771	9,379	12,636	1,200	206,986
1982	190,241	9,766	12,548	1,228	213,783
1983	196,871	10,148	12,595	1,354	220,968
1984	202,523	9,111	12,786	1,484	225,904
1985	211,799	9,927	12,405	1,723	235,854

Note: "Credit" life insurance is limited to insurance on loans of 10 years' or less duration. Prior to 1973, all credit insurance was included in the "Ordinary" and "Group" categories.

Source: American Council of Life Insurance.

Obligations and Surplus Funds

U.S. Life Insurance Companies (000,000 omitted)

Year	Policy Reserves	Policy Dividend Accumulations	Funds Set Aside for Policy Dividends	Other Obligations	Surplus Funds	Capital (Stock Companies)	Total
1952	$ 62,579	$ 1,675	$ 841	$ 3,024	$ 4,884	$ 372	$ 73,375
1955	75,359	2,239	1,201	4,625	6,475	533	90,432
1960	98,473	3,381	1,780	6,268	8,827	847	119,576
1965	127,620	4,326	2,647	10,455	12,468	1,368	158,884
1970	167,779	6,068	3,540	12,544	15,651	1,672	207,254
1975	237,116	8,814	4,875	17,936	18,635	1,928	289,304
1976	262,775	9,633	5,252	21,881	20,077	1,934	321,552
1977	287,932	10,427	5,839	23,907	21,669	1,948	351,722
1978	318,483	11,319	6,380	27,495	24,285	1,962	389,924
1979	351,637	12,112	7,158	31,372	28,023	1,980	432,282
1980	390,339	12,727	7,659	34,127	32,274	2,084	479,210
1981	428,031	13,261	8,355	38,734	35,211	2,211	525,803
1982	479,360	13,706	8,914	44,732	39,105	2,346	588,163
1983	532,441	13,939	10,078	52,106	43,978	2,406	654,948
1984	584,193	14,395	10,745	63,299	47,800	2,547	722,979
1985	665,302	14,638	11,710	77,471	54,039	2,741	825,901

Source: American Council of Life Insurance.

LIFE INSURANCE ASSETS

Assets of U.S. life insurance companies, including those held in separate accounts, totaled $825.9 billion at the end of 1985, an increase of 14.2% during the year, compared to an increase of 10.4% in the previous year.

The growth in assets in 1985 was a result of the substantial inflows of $91.7 billion in new funds. By comparison, new funds in 1984 amounted to $69.7 billion. The rapid expansion of the group and individual annuity business in recent years has been a major factor contributing to recent asset growth. Also contributing to asset growth in 1985 were capital gains of $11.2 billion.

Assets of life insurance companies, largely comprised of financial instruments, are used to back life insurance and annuity reserves and have been primarily built up from policyholders' premiums and investment earnings. Investments of life companies are an important source of capital in America's economy. Net investments in U.S. capital markets by life insurance companies totaled $73.3 billion in 1985. Life insurance ranked third among private domestic institutional sources of funds, supplying 7.2% of the total funds flowing into financial markets.

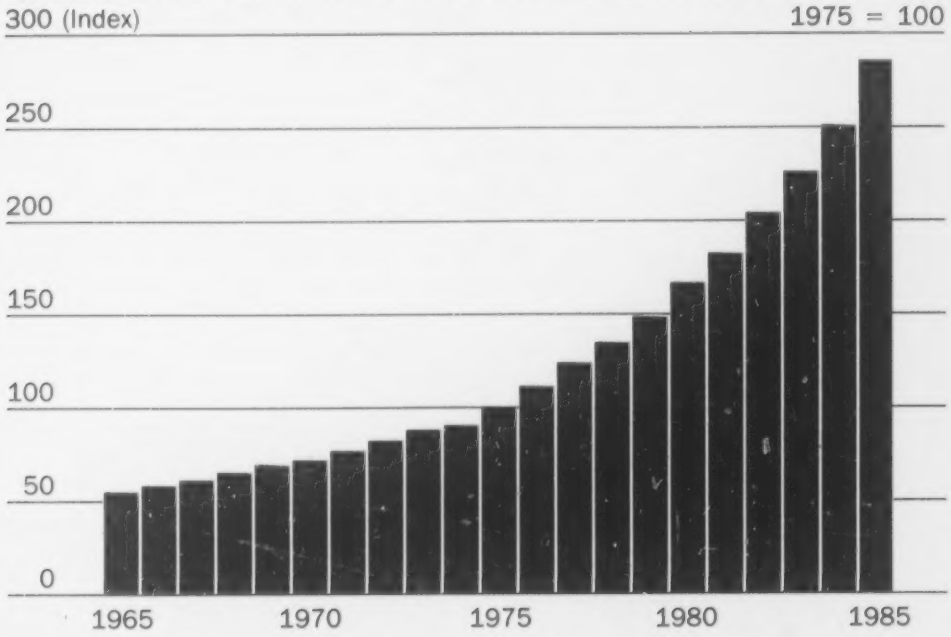
The largest component of life company assets in 1985 was corporate debt issues. Holdings of corporate debt increased from $259.1 billion to $296.8 billion, or 36.0% of total assets, by year-end 1985.

Mortgages, the second largest component of life insurance company assets, increased from $156.7 billion to $171.8 billion during 1985. As a proportion of total assets these holdings were 20.8% in 1985, compared to 21.7% in 1984.

The third largest category, government securities, increased to represent 15.0% of total assets in 1985.

Corporate stock holdings amounted to $77.5 billion, or 9.4% of total assets, and included $67.1 billion of common stocks and $10.4 billion of preferred stocks.

Relative Growth in Assets of U.S. Life Insurance Companies



Distribution of Assets of U.S. Life Insurance Companies

Year	Government Securites	Corporate Securities: Bonds	Corporate Securities: Stocks	Mortgages	Real Estate	Policy Loans	Misc. Assets	Total
AMOUNT (000,000 omitted)								
1917	$ 562	$ 1,975	$ 83	$ 2,021	$ 179	$ 810	$ 311	$ 5,941
1920	1,349	1,949	75	2,442	172	859	474	7,320
1925	1,311	3,022	81	4,808	266	1,446	604	11,538
1930	1,502	4,929	519	7,598	548	2,807	977	18,880
1935	4,727	5,314	583	5,357	1,990	3,540	1,705	23,216
1940	8,447	8,645	605	5,972	2,065	3,091	1,977	30,802
1945	22,545	10,060	999	6,636	857	1,962	1,738	44,797
1950	16,118	23,248	2,103	16,102	1,445	2,413	2,591	64,020
1955	11,829	35,912	3,633	29,445	2,581	3,290	3,742	90,432
1960	11,815	46,740	4,981	41,771	3,765	5,231	5,273	119,576
1965	11,908	58,244	9,126	60,013	4,681	7,678	7,234	158,884
1970	11,068	73,098	15,420	74,375	6,320	16,064	10,909	207,254
1971	11,000	79,198	20,607	75,496	6,904	17,065	11,832	222,102
1972	11,372	86,140	26,845	76,948	7,295	18,003	13,127	239,730
1973	11,403	91,796	25,919	81,369	7,693	20,199	14,057	252,436
1974	11,965	96,652	21,920	86,234	8,331	22,862	15,385	263,349
1975	15,177	105,837	28,061	89,167	9,621	24,467	16,974	289,304
1976	20,260	120,666	34,262	91,552	10,476	25,834	18,502	321,552
1977	23,555	137,889	33,763	96,848	11,060	27,556	21,051	351,722
1978	26,552	156,044	35,518	106,167	11,764	30,146	23,733	389,924
1979	29,719	168,990	39,757	118,421	13,007	34,825	27,563	432,282
1980	33,015	179,603	47,366	131,080	15,033	41,411	31,702	479,210
1981	39,502	193,806	47,670	137,747	18,278	48,706	40,094	525,803
1982	55,516	212,772	55,730	141,989	20,624	52,961	48,571	588,163
1983	76,615	232,123	64,868	150,999	22,234	54,063	54,046	654,948
1984	99,769	259,128	63,335	156,699	25,767	54,505	63,776	722,979
1985	124,598	296,848	77,496	171,797	28,822	54,369	71,971	825,901
PERCENT								
1917	9.6%	33.2%	1.4%	34.0%	3.0%	13.6%	5.2%	100.0%
1920	18.4	26.7	1.0	33.4	2.3	11.7	6.5	100.0
1925	11.3	26.2	.7	41.7	2.3	12.5	5.3	100.0
1930	8.0	26.0	2.8	40.2	2.9	14.9	5.2	100.0
1935	20.4	22.9	2.5	23.1	8.6	15.2	7.3	100.0
1940	27.5	28.1	2.0	19.4	6.7	10.0	6.3	100.0
1945	50.3	22.5	2.2	14.8	1.9	4.4	3.9	100.0
1950	25.2	36.3	3.3	25.1	2.2	3.8	4.1	100.0
1955	13.1	39.7	4.0	32.6	2.9	3.6	4.1	100.0
1960	9.9	39.1	4.2	34.9	3.1	4.4	4.4	100.0
1965	7.5	36.7	5.7	37.8	3.0	4.8	4.5	100.0
1970	5.3	35.3	7.4	35.9	3.0	7.8	5.3	100.0
1971	4.9	35.7	9.3	34.0	3.1	7.7	5.3	100.0
1972	4.8	35.9	11.2	32.1	3.0	7.5	5.5	100.0
1973	4.5	36.4	10.3	32.2	3.0	8.0	5.6	100.0
1974	4.5	36.7	8.3	32.8	3.2	8.7	5.8	100.0
1975	5.2	36.6	9.7	30.8	3.3	8.5	5.9	100.0
1976	6.3	37.5	10.7	28.5	3.3	8.0	5.7	100.0
1977	6.7	39.2	9.6	27.5	3.2	7.8	6.0	100.0
1978	6.8	40.0	9.1	27.2	3.0	7.8	6.1	100.0
1979	6.9	39.1	9.2	27.4	3.0	8.1	6.3	100.0
1980	6.9	37.5	9.9	27.4	3.1	8.6	6.6	100.0
1981	7.5	36.8	9.1	26.2	3.5	9.3	7.6	100.0
1982	9.4	36.2	9.5	24.1	3.5	9.0	8.3	100.0
1983	11.7	35.4	9.9	23.1	3.4	8.3	8.2	100.0
1984	13.8	35.8	8.8	21.7	3.6	7.5	8.8	100.0
1985	15.0	36.0	9.4	20.8	3.5	6.6	8.7	100.0

Note: Beginning with 1962, these data include the assets of separate accounts. For detail on separate accounts, see page 87.

Sources: *Spectator Year Book* and American Council of Life Insurance.

Assets of U.S. Life Insurance Companies

(000,000 omitted)

Year	Amount	Year	Amount	Year	Amount	Year	Amount
1890	$ 771	1926	$ 12,940	1946	$ 48,191	1966	$167,455
1895	1,160	1927	14,392	1947	51,743	1967	177,832
1905	2,706	1929	17,482	1949	56,630	1967	197,208
1910	3,876	1930	18,880	1950	64,020	1970	207,254
1911	4,164	1931	20,160	1951	68,278	1971	222,102
1912	4,409	1932	20,754	1952	73,375	1972	239,730
1913	4,659	1933	20,896	1953	78,533	1973	252,436
1914	4,935	1934	21,844	1954	84,486	1974	263,349
1915	5,190	1935	23,216	1955	90,432	1975	289,304
1916	5,537	1936	24,874	1956	96,011	1976	321,552
1917	5,941	1937	26,249	1957	101,309	1977	351,722
1918	6,475	1938	27,755	1958	107,580	1978	389,924
1919	6,791	1939	29,243	1959	113,650	1979	432,282
1920	7,320	1940	30,802	1960	119,576	1980	479,210
1921	7,936	1941	32,731	1961	126,816	1981	525,803
1922	8,652	1942	34,931	1962	133,291	1982	588,163
1923	9,455	1943	37,766	1963	141,121	1983	654,948
1924	10,394	1944	41,054	1964	149,470	1984	722,979
1925	11,538	1945	44,797	1965	158,884	1985	825,901

Note: Beginning with 1962, these data include the assets of separate accounts. For details on separate accounts, see page 87.

Source: *Spectator Year Book* and American Council of Life Insurance.

Sources of Funds in the United States Money and Capital Markets

(000,000,000 omitted)

	1970	1975	1980	1984	1985
Life Insurance Companies	$ 9.0	$ 18.8	$ 33.6	$ 57.0	$ 73.3
Private Non-Life Insurance Company Pension Plans	6.6	25.1	48.3	22.3	36.5
State and Local Retirement Funds	6.3	11.7	26.2	35.3	37.2
Savings and Loan Associations	11.9	34.8	46.2	123.4	62.3
Mutual Savings Banks	4.1	10.9	5.4	10.0	9.4
Commercial Banking	35.7	29.5	100.6	181.6	196.7
Federal Reserve Banks	5.0	8.5	4.5	8.4	21.6
Federal Loan Agencies	10.4	11.6	45.6	73.2	101.6
Nonfinancial Corporations	1.9	12.2	3.3	22.8	−5.0
Fire and Casualty Companies	4.8	6.6	13.0	5.8	11.0
Real Estate Investment Trusts	1.9	−4.8	−0.7	0.8	2.3
Mutual Funds*	1.6	0.2	17.9	69.6	102.0
Foreigners	11.2	10.8	28.6	43.2	80.4
Individuals & Others	7.3	44.4	70.9	182.8	291.7
Total	$117.7	$220.3	$443.4	$836.2	$1,021.0

*Includes money market funds of $0.7 billion in 1975, $14.9 billion in 1980, $38.0 billion in 1984, and $1.5 billion in 1985.

Source: Federal Reserve Board.

New Investments

Acquisitions of long-term investments by U.S. life insurance companies reached a record high of $295.3 billion in 1985, an increase of $92.8 billion, or 45.8%, over 1984. Acquisitions of short-term investments—government and corporate securities with maturities of one year or less—are not available as of 1982 because these voluminous transactions are no longer required to be reported in the annual statements of life insurance companies. (Holdings of such short-term securities decreased $216 million during 1985 to total $33.5 billion at the end of the year.)

Of the $295.3 billion of long-term acquisitions, about $92 billion was traceable to new funds. Some $198 billion represented funds available for reinvestment from repayments of existing investments, such as bond maturities, calls, mortgage amortizations and prepayments, and from asset sales. The balance of acquisitions represented exchanges and refinancings.

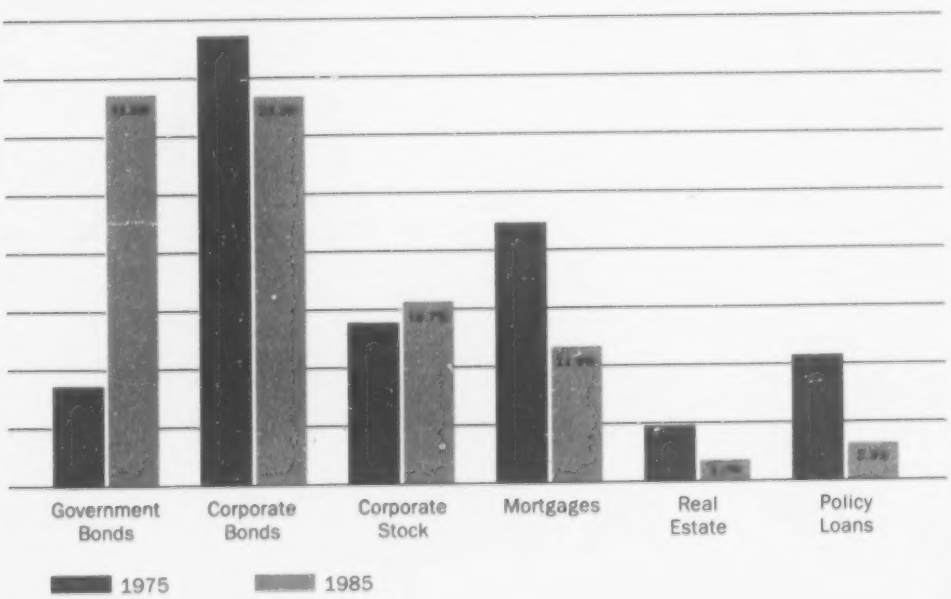
Acquisitions of long-term government securities reached $99.9 billion in 1985, $37.0 billion, or 58.8%, more than in 1984. Acquisitions of U.S. Treasury bonds and notes of $57.2 billion increased 56.4% over 1984, and federal agency issues of $34.3 billion were up 68.3% from 1984. Foreign government and international agency bond acquisitions of $4.5 billion were up 31.7%, while state and local bonds were $3.8 billion, $1.3 billion more than in 1984.

Long-term corporate bond acquisitions amounted to $98.3 billion in 1985, $29.6 billion, or 43.1%, more than the $68.7 billion in the previous year. Corporate bond acquisitions represented 33.3% of total long-term acquisitions in 1985. Acquisitions of long-term domestic corporate bonds amounted to $96.6 billion and foreign corporate bonds came to $1.7 billion in 1985.

Corporate stock acquisitions increased by $10.9 billion during 1985 to $46.3 billion. Common stock acquisitions amounted to $42.7 billion, and preferred stock

Distribution of Acquisitions of Long-Term Investments by Type

U.S. Life Insurance Companies



acquisitions were $3.6 billion. Disposals of common stock amounted to $36.4 billion in 1985, $5.1 billion more than in 1984. Disposals of preferred stock were $4.0 billion, up $310 million from 1984.

Mortgages accounted for $35.1 billion of life company investment acquisitions in 1985, an increase of 74.8% over 1984. Mortgage loans increased to 11.9% of total life company long-term acquisitions in 1985 from 9.9% in 1984. Included in the mortgage loan total were $33.5 billion of nonfarm conventional loans, $1.1 billion

Acquisitions of Investments

U.S. Life Insurance Companies (000,000 omitted)

Year	Government Securities	Corporate Securities		Mortgages	Real Estate	Policy Loans	Total
		Bonds	Stocks				
1947	$1,710	$ 4,248	$ 307	$2,786	$219	$ 327	$ 9,597
1948	2,262	4,800	181	3,407	278	414	11,342
1949	1,065	3,674	251	3,440	264	478	9,172
1950	2,399	3,700	470	4,894	257	521	12,241
1951	7,691	4,379	278	5,134	273	535	18,290
1952	4,610	5,151	194	3,978	335	504	14,772
1953	3,939	4,631	233	4,345	205	579	13,932
1954	5,549	5,157	552	5,344	388	661	17,651
1955	6,176	4,687	392	6,614	371	669	18,909
1956	4,794	5,305	291	6,715	360	744	18,209
1957	3,833	6,044	294	5,230	458	916	16,775
1958	5,625	5,799	365	5,277	463	1,088	18,537
1959	5,613	6,318	514	5,975	446	1,156	20,022
1960	5,011	6,886	655	6,083	299	1,420	20,354
1961	6,478	9,113	918	6,785	429	1,427	25,150
1962	6,824	11,654	766	7,478	363	1,473	28,558
1963	6,018	14,200	788	9,172	485	1,504	32,167
1964	4,979	15,419	1,066	10,433	488	1,574	33,959
1965	4,273	20,428	1,463	11,137	448	1,702	39,451
1966	3,837	18,452	1,326	10,217	510	2,613	36,955
1967	3,949	25,930	2,065	8,470	668	2,365	43,447
1968	5,570	27,601	3,318	7,925	815	2,741	47,970

Year	Government Securities		Corporate Securities						
			Bonds						
	Long-Term	Total	Long-Term	Total	Stocks	Mort-gages	Real Estate	Policy Loans	Total
1969	$ 1,393	$ 4,655	$ 6,787	$ 31,883	$ 4,099	$ 7,531	$ 794	$ 4,118	$ 53,080
1970	796	4,612	6,808	41,405	4,086	7,181	859	4,149	62,292
1971	1,635	7,011	11,727	53,517	6,785	7,573	1,035	3,400	79,321
1972	1,604	8,989	14,257	68,240	8,468	8,696	976	3,252	98,621
1973	1,385	8,290	12,741	87,059	8,198	11,463	1,177	4,602	120,789
1974	1,456	7,609	11,266	86,656	4,832	11,339	1,294	5,332	117,062
1975	3,695	13,644	16,567	96,534	5,955	9,595	2,115	4,600	132,443
1976	7,249	30,315	24,002	120,442	7,691	9,801	1,814	4,826	174,889
1977	7,498	34,908	30,183	147,114	7,588	14,176	2,059	5,115	210,960
1978	6,442	35,805	28,006	164,866	8,015	17,799	2,234	6,260	234,979
1979	6,866	41,566	23,170	186,195	10,374	20,689	2,793	8,739	270,356
1980	6,961	51,798	22,255	227,336	14,105	19,759	3,312	11,535	327,845
1981	10,620	72,879	22,966	312,707	19,496	13,478	4,467	12,641	435,670
1982	24,305	N.A.	32,939	N.A.	25,818	11,528	4,480	11,449	N.A.
1983	49,149	N.A.	50,766	N.A.	36,071	20,116	4,347	9,468	N.A.
1984	62,919	N.A.	68,709	N.A.	35,328	20,074	5,950	9,543	N.A.
1985	99,930	N.A.	98,344	N.A.	46,258	35,097	5,966	9,742	N.A.

N.A. = Not available after 1981.

Source: American Council of Life Insurance.

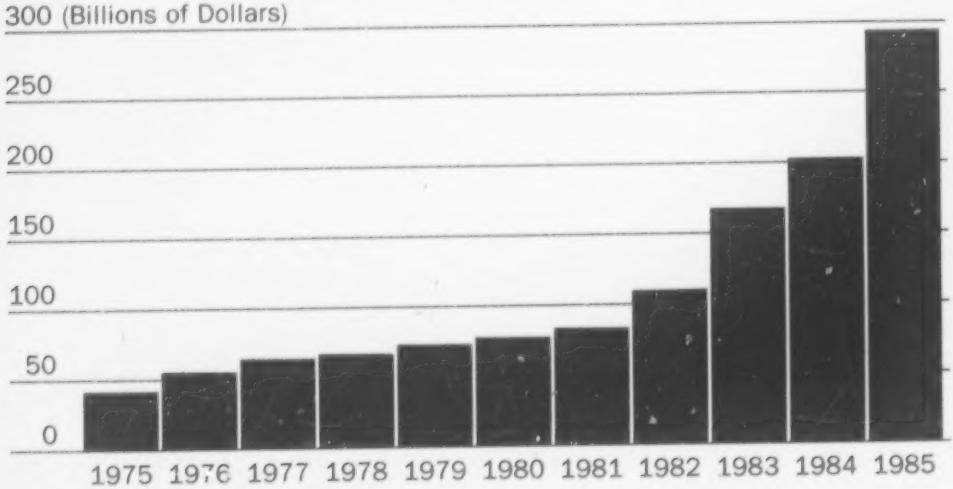
of farm mortgages, and $568 million of government-backed mortgages. Nonfarm conventional mortgage acquisitions, which accounted for 95.3% of total mortgage acquisitions in 1985, increased $14.9 billion from 1984. Loans on nonresidential properties, such as office buildings, shopping centers, manufacturing plants and warehouses, continued to dominate the nonfarm conventional mortgage total. Farm mortgage loan acquisitions were up $67 million from 1984 and government-backed mortgages increased by $102 million.

Real estate accounted for nearly $6.0 billion of life insurance company investment acquisitions, the same as in 1984.

The demand for policy loans at $9.7 billion was up slightly over 1984. After a record $12.6 billion in 1981, loans were $11.4 billion in 1982, $9.5 billion in 1983 and 1984.

Acquisitions of Long-Term Investments

U.S. Life Insurance Companies



Acquisitions and Change in Holdings of Investments

U.S. Life Insurance Companies (000,000 omitted)

Type of Investment	1984 Acquired in Year	1984 Held at Year-end	1984 Change in Holdings in Year	1985 Acquired in Year	1985 Held at Year-end	1985 Change in Holdings in Year
GOVERNMENT SECURITIES						
Short Term: 1 Year or Less						
U.S. Treasury	N.A.	$ 3,249	$ − 818	N.A.	$ 3,509	$ + 260
U.S. Federal Agency	N.A.	637	+ 190	N.A.	407	− 230
U.S. State and Local	N.A.	21	+ 10	N.A.	26	+ 5
Foreign Government and International Agency	N.A.	495	− 17	N.A.	487	− 8
	N.A.	4,402	− 635	N.A.	4,429	+ 27
Other: Over 1 Year						
U.S. Treasury	$36,569	37,955	+ 13,386	$57,211	48,191	+ 10,236
U.S. Federal Agency	20,409	36,233	+ 10,817	34,347	48,961	+ 12,728
U.S. State and Local	2,503	8,692	− 1,283	3,845	9,682	+ 990
Foreign Government and International Agency	3,438	12,487	+ 869	4,527	13,335	+ 848
	62,919	95,367	+ 23,789	99,930	120,169	+ 24,802
Total Government Securities	N.A.	99,769	+ 23,154	N.A.	124,598	+ 24,829
CORPORATE SECURITIES						
Bonds, Debentures and Notes						
Short Term: 1 Year or Less						
U.S.	N.A.	24,911	+ 3,384	N.A.	24,458	− 453
Foreign	N.A.	4,395	+ 760	N.A.	4,605	+ 210
Other: Over 1 Year						
U.S.	66,983	220,416	+ 23,121	96,586	257,699	+ 37,283
Foreign	1,726	9,406	− 260	1,758	10,086	+ 680
	N.A.	259,128	+ 27,005	N.A.	296,848	+ 37,720
Stocks						
Common	32,972	52,314	+ 474	42,687	67,055	+ 14,741
Preferred	2,356	11,021	− 2,007	3,571	10,441	− 580
	35,328	63,335	− 1,533	46,258	77,496	+ 14,161
Total Corporate Securities	N.A.	322,463	+ 25,472	N.A.	374,344	+ 51,881
MORTGAGES						
Farm	1,003	12,466	− 276	1,070	11,852	− 614
Nonfarm						
F.H.A.	282	4,088	− 383	329	3,151	− 937
N.H.A.	16	406	− 44	60	406	—
V.A.	168	1,990	− 251	179	1,420	− 570
Conventional	18,605	137,749	+ 6,654	33,459	154,968	+ 17,219
Total Mortgages	20,074	156,699	+ 5,700	35,097	171,797	+ 15,098
REAL ESTATE	5,950	25,767	+ 3,533	5,966	28,822	+ 3,055
POLICY LOANS	9,543	54,505	+ 442	9,742	54,369	− 136
CASH	XXX	4,631	+ 667	XXX	5,130	+ 499
OTHER ASSETS	XXX	53,145	+ 9,063	XXX	66,841	+ 7,696
TOTAL	N.A.	$722,979	$ + 68,031	N.A.	$825,901	$ + 102,922

N.A.—Not available after 1981.

Source: American Council of Life Insurance

Government Securities

Government securities amounted to 15.0% of total assets of U.S. life insurance companies at year-end 1985.

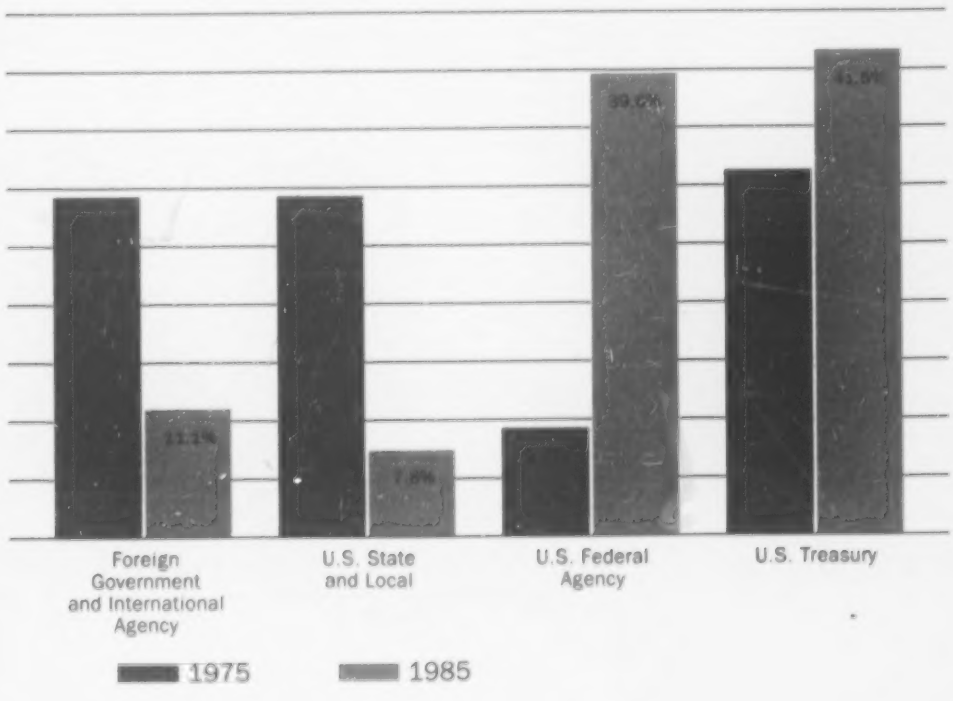
Holdings of these investments amounted to $124.6 billion at the end of 1985, an increase of $24.8 billion, or 24.9%, during the year. This growth follows a 30.2% increase in 1984. Investments in issues of the U.S. Treasury accounted for 42.3% of the increase during 1985.

The large increases in recent years have been in sharp contrast to smaller increments in prior years. As a proportion of total assets, holdings of U.S. government securities have decreased steeply since the end of World War II. Life insurance funds had been heavily channeled into government securities during the war, with holdings consisting mainly of Treasury notes and bonds.

Securities of the United States government include U.S. Treasury securities and those of U.S. federal agencies or those sponsored by the federal government (such as the Federal National Mortgage Association and the Federal Home Loan Banks). Investments in these securities amounted to $101.1 billion at year-end 1985, an increase of $23.0 billion, or 29.5%, from year-end 1984. Short-term Treasury bills and certificates, purchased to keep funds at work until they are needed for long-term investments, amounted to $3.5 billion. Short-term federal agency securities totaled $407 million. Holdings of short-term U.S. Treasury and federal agency issues increased only 0.8%, while holdings of long-term securities of these agencies increased 31.0%.

Distribution of Government Securities

U.S. Life Insurance Companies



U.S. state and local securities amounted to $9.7 billion at the end of 1985, up $1.0 billion from last year. These holdings include guaranteed, special revenue and other issues of the 50 states, District of Columbia, Puerto Rico, and the territories and possessions of the United States and their political subdivisions.

In addition to the securities of governments in the United States, U.S. life companies had $13.8 billion invested in securities of the central and local governments of Canada and other foreign countries, and in international agencies such as the International Bank for Reconstruction and Development (World Bank).

Government Securities

Owned by U.S. Life Insurance Companies (000,000 omitted)

	United States				Foreign Government and International	Total	% of
Year	Treasury	Federal Agency	State and Local	Total	Agency	Amount	Assets
1917	$ 70	—	*	*	*	$ 562	9.6
1920	830	—	*	*	*	1,349	18.4
1925	627	—	*	*	*	1,311	11.3
1930	319	—	*	*	*	1,502	8.0
1935	2,853	—	$1,344	$ 4,197	$ 530	4,727	20.4
1940	5,767	—	2,082	7,849	598	8,447	27.5
1945	20,583	—	722	21,305	1,240	22,545	50.3
1950	13,459	—	1,152	14,611	1,507	16,118	25.2
1951	11,009	—	1,170	12,179	1,581	13,760	20.1
1952	10,252	—	1,153	11,405	1,500	12,905	17.6
1953	9,829	—	1,298	11,127	1,410	12,537	15.9
1954	9,070	—	1,846	10,916	1,346	12,262	14.5
1955	8,576	—	2,038	10,614	1,215	11,829	13.1
1956	7,555	—	2,273	9,828	1,239	11,067	11.5
1957	7,029	—	2,376	9,405	1,286	10,691	10.6
1958	7,183	†	2,681	9,864	1,371	11,235	10.5
1959	6,868	$ 72	3,200	10,140	1,520	11,660	10.3
1960	6,427	101	3,588	10,116	1,699	11,815	9.9
1961	6,134	110	3,888	10,132	1,913	12,045	9.5
1962	6,170	105	4,026	10,301	2,297	12,598	9.4
1963	5,813	139	3,852	9,804	2,826	12,630	8.9
1964	5,594	129	3,774	9,497	3,012	12,509	8.4
1965	5,119	167	3,530	8,816	3,092	11,908	7.5
1966	4,921	236	3,260	8,417	2,979	11,396	6.8
1967	4,683	230	3,145	8,058	3,021	11,079	6.2
1968	4,456	294	3,194	7,944	3,152	11,096	5.9
1969	4,124	390	3,221	7,735	3,179	10,914	5.5
1970	4,042	532	3,306	7,880	3,188	11,068	5.3
1971	3,828	627	3,363	7,818	3,182	11,000	4.9
1972	3,827	735	3,367	7,929	3,443	11,372	4.8
1973	3,444	884	3,412	7,740	3,663	11,403	4.5
1974	3,372	1,065	3,667	8,104	3,861	11,965	4.5
1975	4,736	1,419	4,508	10,663	4,514	15,177	5.2
1976	5,368	2,318	5,594	13,280	6,980	20,260	6.3
1977	5,315	4,002	6,051	15,368	8,187	23,555	6.7
1978	4,822	6,543	6,402	17,767	8,785	26,552	6.8
1979	4,888	9,381	6,428	20,697	9,022	29,719	6.9
1980	5,838	11,144	6,701	23,683	9,332	33,015	6.9
1981	8,167	14,293	7,151	29,611	9,891	39,502	7.5
1982	16,529	18,634	9,047	44,210	11,306	55,516	9.4
1983	28,636	25,863	9,986	64,485	12,130	76,615	11.7
1984	41,204	36,870	8,713	86,787	12,982	99,769	13.8
1985	51,700	49,368	9,708	110,776	13,822	124,598	15.0

*Breakdown not available.

†Holdings of U.S. Federal agency bonds in 1958 (the first year in which life companies held such securities) were estimated to be $50 million, and were included in other categories for that year.

Sources: *Spectator Year Book* and American Council of Life Insurance.

Corporate Securities

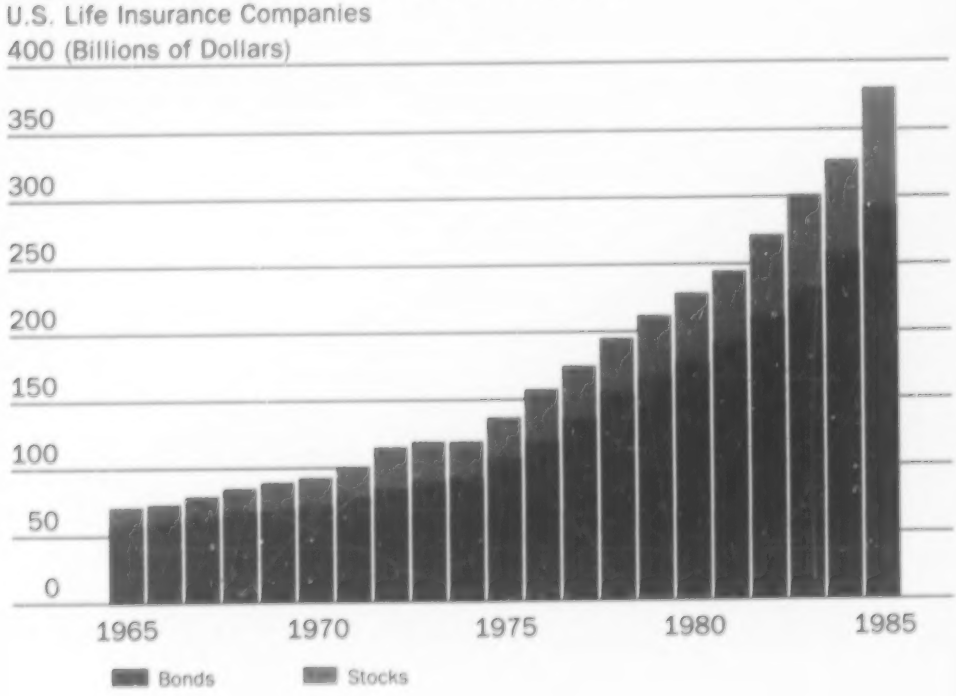
Corporate securities owned by U.S. life insurance companies were 45.4% of the companies' assets at year-end 1985, and amounted to $374.3 billion. This was an increase of $51.9 billion, or 16.1%, over the previous year and follows an increase of $25.5 billion, or 8.6%, in 1984. These securities consist of corporate bonds and stocks.

Corporate bond holdings amounted to $296.8 billion and were 36.0% of all assets at year-end 1985. These investments have increased steadily for many years and have more than doubled in the last decade. Demands for corporate bond financing were particularly heavy in recent years.

The major share of corporate bond holdings—$282.1 billion—was invested in corporations in the United States. The remainder—$14.7 billion—was invested in corporations in foreign countries, chiefly Canada.

Life insurance companies are important investors in the corporate bond market and have been the largest institutional holder of corporate bonds issued in U.S. markets since the 1930s. Nearly two-fifths of total outstanding corporate bonds are held by life insurance companies. Private or direct placements, where the financial institution negotiates directly with the corporation over the terms of the offering, account for a large share of life company investments in corporate bonds. Life insurance companies are the major lenders in the direct placement market.

Growth in Holdings of Corporate Securities



Long-term shifts in investment demand are reflected in changes in life companies' portfolios. Since World War II, for example, there have been shifts in holdings from government securities to corporate securities. Changes in relative yields of the various types of investments account in part for these shifts. Investment of life insurance funds is not, however, a simple matter of following changes in yield curves and in assessments of investment quality. Decisions about long-term investments also require consideration of major economic and social trends for decades to come.

Corporate Securities

Owned by U.S. Life Insurance Companies (000,000 omitted)

	Bonds				Stocks					
Year	United States	Foreign	Total	% of Assets	Common	Preferred	Total	% of Assets	Total Amount	% of Assets
1917	*	*	$ 1,975	33.2	*	*	$ 83	1.4	$ 2,058	34.6
1920	*	*	1,949	26.7	*	*	75	1.0	2,024	27.7
1925	*	*	3,022	26.2	*	*	81	.7	3,103	26.9
1930	*	*	4,929	26.0	*	*	519	2.8	5,448	28.8
1935	*	*	5,314	22.9	*	*	583	2.5	5,897	25.4
1940	*	*	8,645	28.1	*	*	605	2.0	9,250	30.1
1945	*	*	10,060	22.5	*	*	999	2.2	11,059	24.7
1950	$ 22,607	$ 641	23,248	36.3	$ 649	$ 1,454	2,103	3.3	25,351	39.6
1951	25,147	743	25,890	37.9	820	1,401	2,221	3.3	28,111	41.2
1952	28,164	905	29,069	39.6	963	1,483	2,446	3.3	31,515	42.9
1953	30,750	1,115	31,865	40.6	1,042	1,531	2,573	3.3	34,438	43.9
1954	32,774	1,258	34,032	40.3	1,536	1,732	3,268	3.9	37,300	44.2
1955	34,629	1,283	35,912	39.7	1,889	1,744	3,633	4.0	39,545	43.7
1956	36,606	1,434	38,040	39.6	1,952	1,551	3,503	3.7	41,543	43.4
1957	39,065	1,600	40,665	40.1	1,867	1,524	3,391	3.3	44,056	43.8
1958	41,234	1,764	42,998	40.0	2,548	1,561	4,109	3.8	47,107	43.8
1959	43,142	1,884	45,026	39.6	2,954	1,607	4,561	4.0	49,587	43.6
1960	44,709	2,031	46,740	39.1	3,183	1,798	4,981	4.2	51,721	43.3
1961	46,595	2,292	48,887	38.5	4,223	2,035	6,258	4.9	55,145	43.4
1962	48,522	2,602	51,124	38.4	4,119	2,183	6,302	4.7	57,426	43.1
1963	50,620	2,833	53,453	37.9	4,820	2,315	7,135	5.0	60,588	42.9
1964	52,408	3,046	55,454	37.1	5,422	2,516	7,938	5.3	63,392	42.4
1965	54,835	3,409	58,244	36.7	6,263	2,863	9,126	5.7	67,370	42.4
1966	57,105	3,714	60,819	36.3	6,003	2,829	8,832	5.3	69,651	41.6
1967	60,835	3,852	64,687	36.4	7,810	3,067	10,877	6.1	75,564	42.5
1968	64,396	3,914	68,310	36.2	9,995	3,235	13,230	7.0	81,540	43.2
1969	66,813	4,046	70,859	36.0	10,318	3,389	13,707	6.9	84,566	42.9
1970	68,711	4,387	73,098	35.3	11,873	3,547	15,420	7.4	88,518	42.7
1971	74,699	4,499	79,198	35.7	16,779	3,828	20,607	9.3	99,805	45.0
1972	81,244	4,896	86,140	35.9	21,793	5,052	26,845	11.2	112,985	47.1
1973	86,848	4,948	91,796	36.4	19,606	6,313	25,919	10.3	117,715	46.7
1974	91,412	5,240	96,652	36.7	14,946	6,974	21,920	8.3	118,572	45.0
1975	99,993	5,844	105,837	36.6	20,304	7,757	28,061	9.7	133,898	46.3
1976	113,474	7,192	120,666	37.5	25,694	8,568	34,262	10.7	154,928	48.2
1977	130,181	7,708	137,889	39.2	24,086	9,677	33,763	9.6	171,652	48.8
1978	147,118	8,926	156,044	40.0	24,986	10,532	35,518	9.1	191,562	49.1
1979	159,738	9,252	168,990	39.1	28,161	11,596	39,757	9.2	208,747	48.3
1980	169,699	9,904	179,603	37.5	35,571	11,795	47,366	9.9	226,969	47.4
1981	182,613	11,193	193,806	36.8	35,408	12,262	47,670	9.1	241,476	45.9
1982	200,286	12,486	212,772	36.2	42,355	13,375	55,730	9.5	268,502	45.7
1983	218,822	13,301	232,123	35.4	51,840	13,028	64,868	9.9	296,991	45.3
1984	245,327	13,801	259,128	35.8	52,314	11,021	63,335	8.8	322,463	44.6
1985	282,157	14,691	296,848	36.0	67,055	10,441	77,496	9.4	374,344	45.4

*Breakdown not available.

Sources: *Spectator Year Book* and American Council of Life Insurance.

Investments in common and preferred stocks account for the remainder of corporate securities owned by U.S. life insurance companies. These holdings amounted to $77.5 billion, or 9.4% of total assets at the end of 1985.

Holdings of common stocks increased by $14.7 billion to $67.1 billion in 1985. Preferred stocks decreased by $580 million , or 5.3%, to total $10.4 billion at year-end 1985.

Historically, stocks have been a small percentage of total assets for reasons rooted in both the investment philosophy of the business and in the laws regulating life insurance. Stocks have not been heavily used as a major investment medium for funds backing life insurance policies because of the contractual guarantees for specified dollar amounts in these policies.

Legal restrictions on stock investments have also been quite specific. For many years life companies operating in New York State could not, under law, invest in any common stock. The law was first amended in 1951 to permit some investments of this type.

The growth of funding of pension plans with life companies and variable annuities through equity securities also has led to changes. The introduction of variable life insurance has also altered the situation. State laws generally permit certain assets of these and other plans to be maintained in an account separate from a company's other assets, with up to 100% invested in stocks or other equities. At year-end 1985, 50.6% of all common stocks held by life insurance companies were in separate accounts.

Mortgages

Life insurance company mortgage holdings at year-end 1985 amounted to $171.8 billion, or 20.8% of total assets. The asset share for mortgage loans was down from 21.7% at year-end 1984. The asset share has decreased in most years since 1966, when mortgages were 38.6% of total assets.

During 1985, farm mortgages held by life companies decreased by $614 million, or 4.9%, to total $11.9 billion at the end of the year. This amount was 6.9% of total mortgages held by the companies at year-end 1985.

Classifications of nonfarm mortgage holdings by type of financing show that conventional mortgages have accounted for the growth in life insurance companies' nonfarm mortgage portfolios, while government-backed mortgages have decreased for a number of years. Loans guaranteed by the Veterans' Administration declined in nearly every year since 1957 and amounted to $1.4 billion at the end of 1985. Mortgages insured by the Federal Housing Administration (including loans in Canada insured under the Canadian National Housing Act) have decreased for nineteen consecutive years and amounted to $3.6 billion at year-end 1985.

Mortgages

Owned by U.S. Life Insurance Companies (000,000 omitted)

Year	Farm	Non-farm	Total Amount	% of Assets	Year	Farm	Non-farm	Total Amount	% of Assets
1890	*	*	$ 310	40.2	1920	$1,270	$1,172	$2,442	33.4
1895	*	*	412	35.6	1925	2,040	2,768	4,808	41.7
1900	*	*	501	28.8	1930	2,057	5,541	7,598	40.2
1905	*	*	724	26.7	1935	1,073	4,284	5,357	23.1
1910	*	*	1,227	31.7	1940	899	5,073	5,972	19.4
1915	*	*	1,779	34.3	1945	776	5,860	6,636	14.8

Year	Farm	Nonfarm F.H.A.†	Nonfarm V.A.	Nonfarm Conventional	Total Amount	% of Assets
1947	$ 895	$ 1,398	$ 844	$ 5,538	$ 8,675	16.8
1950	1,327	4,573	2,026	8,176	16,102	25.1
1955	2,273	6,530	6,074	14,568	29,445	32.6
1960	2,982	9,290	6,901	22,598	41,771	34.9
1965	4,823	12,538	6,286	36,366	60,013	37.8
1966	5,240	12,852	6,201	40,316	64,609	38.6
1967	5,569	12,672	6,122	43,153	67,516	38.0
1968	5,801	12,469	5,954	45,749	69,973	37.1
1969	5,773	12,271	5,701	48,282	72,027	36.6
1970	5,649	12,001	5,394	51,331	74,375	35.9
1971	5,601	11,336	5,004	53,555	75,496	34.0
1972	5,678	10,512	4,660	56,098	76,948	32.1
1973	5,996	9,740	4,402	61,231	81,369	32.2
1974	6,327	9,115	4,178	66,614	86,234	32.8
1975	6,753	8,502	3,903	70,009	89,167	30.8
1976	7,425	7,838	3,603	72,686	91,552	28.5
1977	8,842	7,182	3,348	77,476	96,848	27.5
1978	10,499	6,705	3,164	85,799	106,167	27.2
1979	12,184	6,372	2,975	96,890	118,421	27.4
1980	12,958	6,066	2,781	109,275	131,080	27.4
1981	13,100	5,651	2,590	116,406	137,747	26.2
1982	12,831	5,309	2,462	121,387	141,989	24.1
1983	12,742	4,921	2,241	131,095	150,999	23.1
1984	12,466	4,494	1,990	137,749	156,699	21.7
1985	11,852	3,557	1,420	154,968	171,797	20.8

*Breakdown not available.

†Includes mortgages insured under the Canadian National Housing Act; in 1985 these amounted to $406 million.

Source: American Council of Life Insurance.

Mortgages Owned by U.S. Life Insurance Companies by Type and State 1985 (000 omitted)

State	Farm	Non-Farm	Total
Alabama	$ 97,700	$ 1,554,000	$ 1,651,700
Alaska	9,600	296,900	306,500
Arizona	159,400	3,004,900	3,164,300
Arkansas	350,000	407,900	757,900
California	2,040,100	24,107,300	26,147,400
Colorado	337,300	4,116,600	4,453,900
Connecticut	3,100	2,017,400	2,020,500
Delaware	1,200	262,900	264,100
D.C.	—	2,727,000	2,727,000
Florida	597,200	8,837,200	9,434,400
Georgia	211,200	4,683,300	4,894,500
Hawaii	33,700	1,097,500	1,131,200
Idaho	262,400	267,300	529,700
Illinois	711,900	8,399,500	9,111,400
Indiana	441,000	2,426,700	2,867,700
Iowa	931,900	840,900	1,772,800
Kansas	326,500	1,159,300	1,485,800
Kentucky	179,700	1,521,800	1,701,500
Louisiana	210,400	3,170,500	3,380,900
Maine	800	154,000	154,800
Maryland	22,000	3,401,300	3,423,300
Massachusetts	500	4,346,200	4,346,700
Michigan	74,800	3,454,200	3,529,000
Minnesota	396,000	3,180,600	3,576,600
Mississippi	255,600	618,300	873,900
Missouri	364,700	2,553,700	2,918,400
Montana	374,500	148,200	522,700
Nebraska	638,000	682,300	1,320,300
Nevada	87,100	763,100	850,200
New Hampshire	3,600	380,700	384,300
New Jersey	2,400	5,273,500	5,275,900
New Mexico	83,700	598,400	682,100
New York	28,500	9,927,700	9,956,200
North Carolina	73,800	3,065,600	3,139,400
North Dakota	55,600	182,800	238,400
Ohio	239,400	3,842,700	4,082,100
Oklahoma	162,200	1,963,600	2,125,800
Oregon	198,300	1,166,400	1,364,700
Pennsylvania	27,700	3,844,100	3,871,800
Rhode Island	—	211,000	211,000
South Carolina	27,000	1,365,300	1,392,300
South Dakota	126,700	122,300	249,000
Tennessee	58,200	2,350,300	2,408,500
Texas	884,400	21,682,000	22,566,400
Utah	15,400	1,069,600	1,085,000
Vermont	1,600	69,700	71,300
Virginia	37,300	4,900,800	4,938,100
Washington	435,800	3,066,300	3,502,100
West Virginia	10,500	223,400	233,900
Wisconsin	126,000	1,384,300	1,510,300
Wyoming	120,000	206,500	326,500
Puerto Rico	—	211,700	211,700
U.S. Territories and Possessions	—	4,300	4,300
Total U.S.	11,836,400	157,313,800	169,150,200
Canada	9,600	2,571,900	2,581,500
Other Foreign	6,000	59,700	65,700
TOTAL	$11,852,000	$159,945,400	$171,797,400

Source: American Council of Life Insurance.

A survey of the geographic distribution of the $171.8 billion in mortgage holdings of U.S. life companies at the end of 1985 showed that all but 1.5% were on properties located in the United States. By state, mortgage holdings were greatest in California, where they totaled $26.1 billion.

By far the largest portion of mortgages on properties outside the United States in 1985 was $2.6 billion in Canada. Much of the investment outside the United States applies to reserves set aside in connection with policies bought by residents of foreign countries.

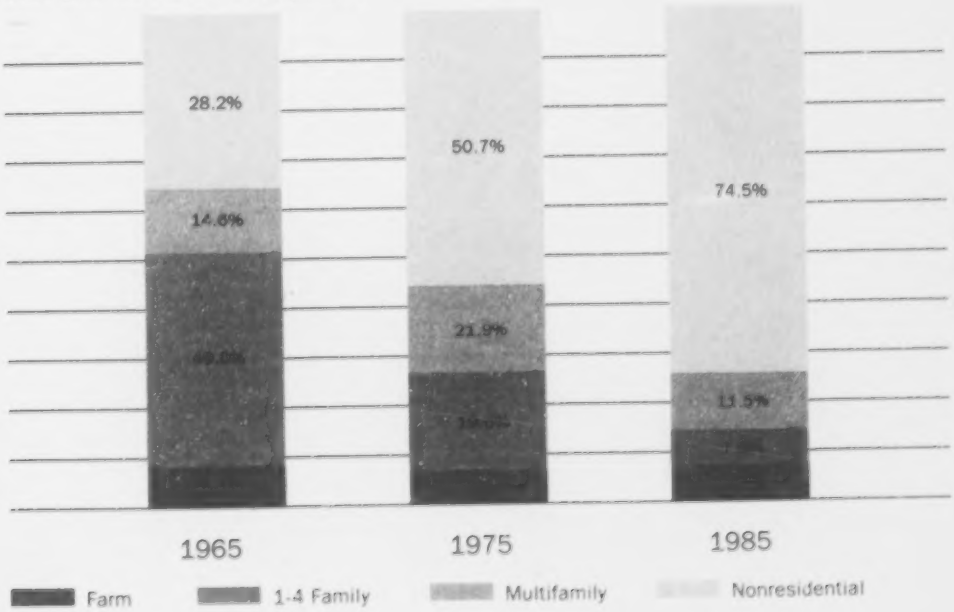
Mortgages held on properties in the United States showed a net increase during 1985 of $15.2 billion, compared with $6.0 billion in 1984. An analysis of life insurance companies' gross flow of mortgage loans during 1985 showed that acquisitions of mortgages on properties in the U.S. totaled $34.9 billion while dispositions totaled $19.7 billion, primarily through repayments. Nonfarm, nonresidential mortgages (including land loans) continued to dominate life companies' mortgage acquisitions and holdings.

The properties underlying life insurance company holdings of nonfarm, nonresidential mortgages cover a broad range of commercial, industrial and institutional uses, including retail stores and shopping centers, office buildings and factories, hospitals and medical centers. Holdings of these nonresidential mortgages represented 28.2% of U.S. mortgages held by life companies in 1965, 50.7% in 1975 and 74.5% in 1985. During 1985, these mortgage holdings increased by $16.8 billion, or 15.3%, to total $125.9 billion at the end of the year.

At the end of 1985, one-to-four family housing accounted for 7.0% of total mortgages held by the companies on U.S. properties, compared with 19.6% at the end of 1975 and 49.0% at year-end 1965.

Distribution of Mortgages by Type in the United States

U.S. Life Insurance Companies



The 1960s saw life companies becoming more involved in mortgages on multifamily housing in response to the increasing loan demand that accompanied a rise in the construction of these housing units. Multifamily housing mortgages accounted for 14.6% of mortgages held by life insurance companies on U.S. properties in 1965 and 21.9% in 1975. While holdings of multifamily housing mortgages decreased as a percentage of the total to 11.5% in 1985, from 12.0%, in 1984, the amount held increased by $903 million, the first significant increase in a decade.

Gross Flow of Mortgage Loans in the United States

U.S. Life Insurance Companies (000,000 omitted)

Year	Farm	Residential		Non-residential	Total
		1-4 Family	Multi-family		
HELD YEAR-END					
1975	$ 6,726	$16,926	$18,890	$ 43,839	$ 86,381
1976	7,400	15,463	18,439	47,264	88,566
1977	8,819	14,045	17,895	52,970	93,729
1978	10,478	13,862	18,251	60,289	102,880
1979	12,165	15,586	18,507	68,876	115,134
1980	12,928	17,381	18,910	78,496	127,715
1981	13,074	16,788	18,696	85,793	134,351
1982	12,805	16,300	18,303	91,311	138,719
1983	12,717	14,942	18,610	101,652	147,921
1984	12,443	13,748	18,544	109,185	153,920
1985	11,836	11,927	19,447	125,940	169,150
ACQUISITIONS DURING YEAR					
1975	$ 1,075	$ 382	$ 1,268	$ 6,581	$ 9,306
1976	1,510	490	828	6,619	9,447
1977	2,373	639	1,045	9,835	13,892
1978	2,748	1,663	1,912	11,082	17,405
1979	2,806	3,534	1,727	12,309	20,376
1980	1,654	3,174	1,531	13,175	19,534
1981	1,108	653	751	10,810	13,322
1982	695	821	482	9,497	11,495
1983	1,109	1,082	1,688	16,205	20,084
1984	1,003	1,167	1,496	16,312	19,978
1985	1,070	1,638	3,139	29,101	34,948
DISPOSITIONS DURING YEAR					
1975	$ 646	$ 1,809	$ 1,293	$ 2,856	$ 6,604
1976	836	1,953	1,279	3,194	7,262
1977	954	2,057	1,589	4,129	8,729
1978	1,089	1,846	1,556	3,763	8,254
1979	1,119	1,810	1,471	3,722	8,122
1980	891	1,379	1,128	3,555	6,953
1981	962	1,246	965	3,513	6,686
1982	964	1,309	875	3,979	7,127
1983	1,197	2,440	1,381	5,864	10,882
1984	1,277	2,361	1,562	8,779	13,979
1985	1,677	3,459	2,236	12,346	19,718

Source: American Council of Life Insurance.

Real Estate

U.S. life insurance companies increased their holdings of directly owned real estate to $28.8 billion at the end of 1985, an increase of $3.1 billion, or 11.9%, during the year. This follows an increase of 15.9% in 1984.

The total of these holdings has moved upward steadily for almost three decades, making possible a variety of industrial and business facilities and housing for many families. Well over half of the growth in the last five years has been accounted for by real estate acquired for investment purposes. Holdings for the companies' own use have also increased as the growth in business has led to the need for additional space. Real estate amounted to 3.5% of the companies' assets at the end of 1985.

Investments in commercial and residential properties accounted for $23.2 billion, or 80.5%, of the 1985 total real estate holdings; the life companies' own home and branch offices accounted for $4.1 billion, or 14.1%; and the balance was accounted for by other types of real estate, mainly properties acquired in settlement of mortgage debt.

Life insurance companies were pioneers in the construction of large apartment complexes under their ownership. Many companies have encouraged the construction of shopping centers by purchasing them from developers and leasing them back for management. And some have been active in the construction of multipurpose skyscrapers and downtown centers whose ownership they retain.

A survey of the geographic distribution of real estate owned by U.S. life insurance companies at the end of 1984 shows that all but 1.8% of the total were properties located in the United States. By far the largest part of real estate investment outside the United States was $439 million in Canada.

Real Estate

Owned by U.S. Life Insurance Companies (000,000 omitted)

Year	Amount	% of Assets	Year	Amount	% of Assets
1890	$ 81	10.5	1968	$ 5,571	3.0
1895	125	10.8	1969	5,912	3.0
1900	158	9.1	1970	6,320	3.0
1905	171	6.3	1971	6,904	3.1
1910	173	4.5	1972	7,295	3.0
1915	173	3.3	1973	7,693	3.0
1920	172	2.3	1974	8,331	3.2
1925	266	2.3	1975	9,621	3.3
1930	548	2.9	1976	10,476	3.3
1935	1,990	8.6	1977	11,060	3.2
1940	2,065	6.7	1978	11,764	3.0
1945	857	1.9	1979	13,007	3.0
1950	1,445	2.2	1980	15,033	3.1
1955	2,581	2.9	1981	18,278	3.5
1960	3,765	3.1	1982	20,624	3.5
1965	4,681	3.0	1983	22,234	3.4
1966	4,885	2.9	1984	25,767	3.6
1967	5,187	2.9	1985	28,822	3.5

Sources: *Spectator Year Book* and American Council of Life Insurance.

Real Estate Owned by U.S. Life Insurance Companies by State 1984

(000 omitted)

State	Farm	Other	Total
Alabama	$ 16,500	$ 162,600	$ 179,100
Alaska	—	38,500	38,500
Arizona	2,700	324,100	326,800
Arkansas	138,900	53,000	191,900
California	281,400	3,661,900	3,943,300
Colorado	38,200	677,200	715,400
Connecticut	—	821,000	821,000
Delaware	—	21,700	21,700
D.C.	—	272,700	272,700
Florida	66,400	1,513,300	1,579,700
Georgia	35,500	661,300	696,800
Hawaii	—	142,100	142,100
Idaho	8,500	18,800	27,300
Illinois	102,500	1,379,700	1,482,200
Indiana	119,400	343,800	463,200
Iowa	21,100	388,900	410,000
Kansas	16,400	161,700	178,100
Kentucky	14,200	178,600	192,800
Louisiana	80,100	277,500	357,600
Maine	—	37,700	37,700
Maryland	5,100	514,000	519,100
Massachusetts	—	1,138,800	1,138,800
Michigan	13,500	490,200	503,700
Minnesota	33,100	791,800	824,900
Mississippi	166,900	44,800	211,700
Missouri	39,100	419,100	458,200
Montana	16,300	8,800	25,100
Nebraska	18,800	227,800	246,600
Nevada	5,100	10,300	15,400
New Hampshire	—	63,100	63,100
New Jersey	—	774,700	774,700
New Mexico	1,500	91,900	93,400
New York	1,100	2,001,000	2,002,100
North Carolina	96,700	173,600	270,300
North Dakota	2,800	45,400	48,200
Ohio	71,100	659,900	731,000
Oklahoma	4,500	297,900	302,400
Oregon	38,500	248,700	287,200
Pennsylvania	900	744,000	744,900
Rhode Island	—	54,300	54,300
South Carolina	13,900	82,900	96,800
South Dakota	4,800	57,800	62,600
Tennessee	21,200	528,300	549,500
Texas	55,000	2,014,600	2,069,600
Utah	5,400	61,300	66,700
Vermont	—	19,800	19,800
Virginia	1,000	293,500	294,500
Washington	49,500	277,300	326,800
West Virginia	—	17,400	17,400
Wisconsin	3,700	303,700	307,400
Wyoming	11,000	3,100	14,100
Puerto Rico	—	82,200	82,200
U.S. Territories and Possessions	—	3,200	3,200
Total U.S.	1,622,300	23,681,300	25,303,600
Canada	—	438,800	438,800
Other Foreign	—	24,700	24,700
TOTAL	$1,622,300	$24,144,800	$25,767,100

Source: American Council of Life Insurance.

Policy Loans

Life insurance company loans to policyholders against the cash values of their life policies amounted to $54.4 billion by year-end 1985. This amount is $136 million less than the $54.5 billion in loans outstanding at the end of 1984, the first time the amount has decreased since 1946. This decrease follows the record increase of $7.3 billion set in 1981 and increases of $4.3 billion in 1982, $1.1 billion in 1983 and $442 million in 1984.

Policy loans outstanding accounted for 6.6% of company assets at year-end 1985, down from 7.5% in 1984.

The relatively large increases during the past several years through 1982 were related to the general levels of interest rates on other forms of borrowing. The interest rate guaranteed for a life insurance policy loan has been relatively lower than could be obtained elsewhere.

Tight money conditions led to sharp increases in demand for policy loans in 1973-1974, and again in 1979-1982. The trend indicates that a policy loan interest rate more closely related to the general level of interest rates is appropriate. Legislation or regulation permitting flexible policy loan interest rates, based on an index of corporate bonds, is now in effect in all states.

Life companies must make policy loans from funds that they would otherwise invest. Since premium rates are based in part on an anticipated investment return, interest must be charged on the loans. At the same time, the amount of a policy's protection is reduced by the amount of a loan, and policyholders are advised by their life companies that an outstanding loan can seriously impair a family's insurance planning. None of the amounts of policy loans shown here include loans made to policyholders by banks or by other lending institutions holding the borrowers' life insurance policies as collateral.

Policy Loans

U.S. Life Insurance Companies (000,000 omitted)

Year	Amount	% of Assets	Year	Amount	% of Assets
1890	$ 20	2.6	1968	$11,306	6.0
1895	36	3.1	1969	13,825	7.0
1900	89	5.1	1970	16,064	7.8
1905	226	8.3	1971	17,065	7.7
1910	495	12.8	1972	18,003	7.5
1915	780	15.0	1973	20,199	8.0
1920	859	11.7	1974	22,862	8.7
1925	1,446	12.5	1975	24,467	8.5
1930	2,807	14.9	1976	24,834	8.0
1935	3,540	15.2	1977	27,556	7.8
1940	3,091	10.0	1978	30,146	7.8
1945	1,962	4.4	1979	34,825	8.1
1950	2,413	3.8	1980	41,411	8.6
1955	3,290	3.6	1981	48,706	9.3
1960	5,231	4.4	1982	52,961	9.0
1965	7,678	4.8	1983	54,063	8.3
1966	9,117	5.5	1984	54,505	7.5
1967	10,059	5.7	1985	54,369	6.6

Sources: *Spectator Year Book* and American Council of Life Insurance

Miscellaneous Assets

U.S. life insurance companies held $72.0 billion in miscellaneous assets at the end of 1985.

Two major components accounting for 41.0% of the total are due and deferred premiums, and interest and other investment income due and accrued. Due and deferred premiums are premiums that had not yet been received at the end of the year, but for which reserves had been established by the companies. Due and accrued investment income is income that had been earned but not yet received.

Another major item is cash holdings, relatively moderate amounts of which are needed for prompt payments to beneficiaries, policy loans and other services.

Miscellaneous Assets

U.S. Life Insurance Companies (000,000 omitted)

Year	Amount	% of Assets	Year	Amount	% of Assets
1890	$ 89	11.5	1925	$ 604	5.3
1895	111	9.6	1930	977	5.2
1900	192	11.0	1935	1,705	7.3
1905	201	7.4	1940	1,977	6.3
1910	191	4.9	1945	1,738	3.9
1915	282	5.4	1950	2,591	4.1
1920	474	6.5	1955	3,742	4.1

Year	Cash	Due and Deferred Premiums	Due and Accrued Investment Income	Other	Total Amount	% of Assets
1960	$1,330	$ 2,379	$ 1,006	$ 558	$ 5,273	4.4
1965	1,503	3,303	1,403	1,025	7,234	4.5
1970	1,758	5,118	2,185	1,848	10,909	5.3
1971	1,763	5,436	2,404	2,229	11,832	5.3
1972	1,981	5,976	2,679	2,491	13,127	5.5
1973	2,071	6,376	2,932	2,678	14,057	5.6
1974	1,999	7,086	3,263	3,037	15,385	5.8
1975	1,925	7,433	3,741	3,564	16,974	5.9
1976	2,003	8,375	4,349	3,775	18,502	5.7
1977	2,130	9,284	5,048	4,589	21,051	6.0
1978	2,367	10,349	5,844	5,173	23,733	6.1
1979	2,670	11,692	6,555	6,646	27,563	6.3
1980	3,210	12,939	7,419	8,134	31,702	6.6
1981	4,279	14,722	8,352	12,741	40,094	7.6
1982	4,612	15,515	9,533	18,911	48,571	8.3
1983	3,964	16,099	10,971	23,012	54,046	8.2
1984	4,631	15,108	12,333	31,704	63,776	8.8
1985	5,130	15,209	14,285	37,347	71,971	8.7

Sources: *Spectator Year Book* and American Council of Life Insurance.

Assets Held In Separate Accounts

Separate account investments totaled $88.1 billion at the end of 1985. Holdings in these accounts increased by $18.4 billion, or 26.4%, during the year.

Of the total amount held, $33.9 billion, or 38.5%, was in common stocks, compared with $24.1 billion, or 34.6%, at the end of 1984. Acquisitions of common stocks for separate accounts amounted to $22.1 billion in 1985 and $17.9 billion of common stocks were disposed of during the year. The increase in common stocks of $9.8 billion resulted from net acquisitions of $4.2 billion and an increase in valuation of $5.6 billion. Holdings of bonds increased 19.6% to $34.1 billion during 1985. Real estate holdings increased by $745 million, or 9.5%, in 1985.

Separate accounts were first used by U.S. life insurance companies in connection with their pension business in the early 1960s. A separate account is a fund established by a life insurance company and held separately from all other assets. State laws provide that assets in separate accounts may be invested without regard to the restrictions that are usually placed on the general investments of life companies. Thus, a separate account portfolio might be comprised of only common stocks, only bonds, only mortgages, or some combination of these investments.

While separate accounts have been used primarily to fund individual and group annuities, the introduction of variable life insurance will increase the use of separate accounting for life insurance purposes. At the end of 1985, twenty-six life companies had established separate accounts to back variable life insurance policies.

Distribution of Assets Held in Separate Accounts

U.S. Life Insurance Companies (000,000 omitted)

Year	Bonds	Stocks		Mortgages	Real Estate	Cash	Other	Total
		Common	Preferred					
1967	$ 114	$ 1,055	$ 9	$ 14	*	$ 13	$ 2	$ 1,207
1968	233	1,915	31	20	$ 1	48	21	2,269
1969	638	2,745	48	36	1	52	99	3,619
1970	878	3,955	86	37	2	69	34	5,061
1971	763	6,416	83	87	24	88	62	7,523
1972	948	8,673	71	120	96	68	82	10,058
1973	1,581	7,900	53	171	186	64	75	10,030
1974	2,326	6,158	34	202	372	57	127	9,276
1975	2,553	9,277	46	200	563	55	279	12,973
1976	2,750	12,152	67	214	653	41	346	16,223
1977	4,569	10,946	51	268	803	43	678	17,358
1978	6,604	11,493	35	311	1,146	45	792	20,426
1979	9,187	12,868	34	410	2,097	50	998	25,644
1980	12,392	17,665	40	687	3,341	307	1,340	35,772
1981	18,244	16,909	48	1,401	5,030	359	2,103	44,094
1982	24,563	20,563	78	2,556	5,686	471	3,364	57,281
1983	27,294	24,845	273	4,372	6,437	532	4,103	67,856
1984	28,542	24,109	207	3,341	7,816	638	5,027	69,680
1985	34,149	33,916	242	4,402	8,561	614	6,217	88,101

Note: In 1985, 177 U.S. life companies had assets in separate accounts, compared with 174 companies in 1984.

*Less than $500,000.

Source: American Council of Life Insurance.

LIFE INSURANCE COMPANIES

The number of U.S. legal reserve life insurance companies in business at the end of 1985 totaled an estimated 2,260.

Growth in the number of companies was most rapid between the end of World War II and 1970. The number of companies reached an all-time high in 1985 following a period of relative decline between 1970 and 1977. The data shown here do not include fraternal benefit societies although they may operate on a legal reserve basis.

The great majority of companies added through the years were newly-formed organizations. The others had converted from fraternal and assessment life insurers, or from nonlife insurers, to a legal reserve life company status. Some had been formed by consolidation of two or more existing companies. Others were set up to take over the business of another company. Still others had been reactivated after being dormant. (Companies not actively in business are not included in the total, even though they may be chartered and licensed.)

Most companies that discontinued operations did so by merging with or into other insurers or had all their outstanding business reinsured in other life insurance companies. The remaining companies terminated for various reasons, including conversion to nonlife company status.

The majority of small new companies formed in recent years remain in business. By specializing in meeting the needs of families in specific regions, many have been able to compete successfully with older and larger companies whose operations encompass larger areas.

Of the companies in business at mid-1985, there were at least two domiciled in each state with the exception of Alaska, which has one. Arizona had the largest number, followed by Texas and Louisiana.

Of the companies in business at mid-year 1985, a total of 2,079, or 94.1%, were owned by stockholders. The remaining 131 were mutual companies. Mutual companies, which are generally older and larger than the stockholder-owned companies, had 53.0% of the assets of all U.S. life companies and accounted for 41.4% of life

Number of U.S. Life Insurance Companies

Year	Number	Year	Number	Year	Number
1759	1	1915	295	1969	1,773
1760	1	1920	335	1970	1,780
1770	2	1925	379	1971	1,765
1780	2	1930	438	1972	1,753
1790	3	1935	373	1973	1,766
1800	4	1940	444	1974	1,757
1810	2	1945	473	1975	1,746
1820	6	1950	649	1976	1,742
1830	9	1955	1,107	1977	1,789
1840	15	1960	1,441	1978	1,840
1850	48	1961	1,448	1979	1,895
1860	43	1962	1,469	1980	1,958
1870	129	1963	1,488	1981	1,991
1880	59	1964	1,547	1982	2,060
1890	60	1965	1,629	1983	2,117
1900	84	1966	1,704	1984	2,193
1905	126	1967	1,715	1985	2,260
1910	284	1968	1,763		

Note: Data for 1983 and 1984 are revised. The figure for 1985 is preliminary.

Sources: *Marketing Life Insurance* (J. Owen Stalson), American Council of Life Insurance and *Best's Review*.

insurance in force. In the past 19 years, eight companies have converted from the status of a mutual company to a stock company and two stock companies have converted to mutuals.

In mid-year 1985, most stock companies were located in either the South, 38%, or the West, 37%, with the remaining companies in the Midwest region, 16%, and the Northeast, 9%. Mutual companies were domiciled predominantly in the Midwest region, 53% of the total, followed by 30% in the Northeast, 13% in the South and 4% in the West.

At year-end 1984, there were 201 life insurance companies that had been writing life insurance for more than 50 years. Among these, 31 were at least a century old. In each of the four geographic divisions of the United States there was at least one company that commenced business 100 years ago or earlier.

The oldest companies, those over 100 years old, held the majority of assets and life insurance in force at the end of 1984, 57.7% and 42.2%, respectively. Companies in business between 50 and 100 years accounted for 20.2% of the assets and 25.2% of the total in force. Younger companies—those in business for 25 to 50 years—had 9.8% of the assets and 14.6% of the life insurance in force. The newest companies, those in business less than 25 years, had 12.3% of assets and 18.0% of the insurance in force.

Number of U.S. Life Insurance Companies by State, Mid-Year 1985

State	Number	State	Number	State	Number
Alabama	32	Louisiana	114	Oklahoma	68
Alaska	1	Maine	5	Oregon	7
Arizona	616	Maryland	13	Pennsylvania	61
Arkansas	23	Massachusetts	17	Rhode Island	8
California	56	Michigan	28	South Carolina	24
Colorado	26	Minnesota	24	South Dakota	9
Connecticut	24	Mississippi	28	Tennessee	24
Delaware	69	Missouri	47	Texas	276
D.C.	9	Montana	2	Utah	15
Florida	41	Nebraska	29	Vermont	6
Georgia	31	Nevada	3	Virginia	15
Hawaii	6	New Hampshire	4	Washington	21
Idaho	6	New Jersey	14	West Virginia	2
Illinois	86	New Mexico	9	Wisconsin	31
Indiana	54	New York	80	Wyoming	2
Iowa	34	North Carolina	25		
Kansas	19	North Dakota	11	Total U.S.	2,210
Kentucky	15	Ohio	40		

Note: Data are based on reports from individual state insurance departments. These companies are considered legal reserve life insurance companies by their respective state insurance departments but may not meet the requirements for this classification as set by other states.

Source: American Council of Life Insurance.

Number of U.S. Life Insurance Companies in Business, Year-End 1984

Year Commenced Business	Stock	Mutual	Total
1875 and Prior	8	23	31
1876-1925	95	31	126
1926-1950	159	39	198
1951-1960	321	18	339
1961-1970	409	14	423
1971-1980	540	4	544
1981-1984	530	2	532
Total	2,062	131	2,193

Source: American Council of Life Insurance.

Change in Number of U.S. Life Insurance Companies in Business in the United States

	In Business Start of Year			New Oper-	Discon-	In Business Year-End			Net Changes
Year	Stock	Mutual	Total	ations	tinued	Stock	Mutual	Total	During Year
1950	478	133	611	44	6	507	142	649	+ 38
1951	507	142	649	50	20	531	148	679	+ 30
1952	531	148	679	62	11	567	163	730	+ 51
1953	567	163	730	117	15	661	171	832	+ 102
1954	661	171	832	115	30	753	164	917	+ 85
1955	753	164	917	216	26	942	165	1,107	+ 190
1956	942	165	1,107	133	49	1,035	156	1,191	+ 84
1957	1,035	156	1,191	120	38	1,119	154	1,273	+ 82
1958	1,119	154	1,273	142	50	1,212	153	1,365	+ 92
1959*	1,212	153	1,365	125	65	1,273	152	1,425	+ 60
1960	1,273	152	1,425	96	80	1,286	155	1,441	+ 16
1961	1,286	155	1,441	87	80	1,292	156	1,448	+ 7
1962	1,292	156	1,448	101	80	1,312	157	1,469	+ 21
1963	1,312	157	1,469	86	67	1,332	156	1,488	+ 19
1964	1,332	156	1,488	131	72	1,393	154	1,547	+ 59
1965	1,393	154	1,547	149	67	1,475	154	1,629	+ 82
1966	1,475	154	1,629	156	81	1,550	154	1,704	+ 75
1967	1,550	154	1,704	90	79	1,561	154	1,715	+ 11
1968	1,561	154	1,715	112	64	1,608	155	1,763	+ 48
1969	1,608	155	1,763	74	64	1,619	154	1,773	+ 10
1970	1,619	154	1,773	73	66	1,627	153	1,780	+ 7
1971	1,627	153	1,780	49	64	1,612	153	1,765	− 15
1972	1,612	153	1,765	76	88	1,603	150	1,753	− 12
1973	1,603	150	1,753	75	62	1,619	147	1,766	− 13
1974	1,619	147	1,766	73	82	1,612	145	1,757	− 9
1975	1,612	145	1,757	63	74	1,603	143	1,746	− 11
1976	1,603	143	1,746	85	89	1,602	140	1,742	− 4
1977	1,602	140	1,742	89	42	1,647	142	1,789	+ 47
1978	1,647	142	1,789	117	66	1,700	140	1,840	+ 51
1979	1,700	140	1,840	116	61	1,758	137	1,895	+ 55
1980	1,758	137	1,895	155	92	1,823	135	1,958	+ 63
1981	1,823	135	1,958	137	104	1,855	136	1,991	+ 33
1982	1,855	136	1,991	152	83	1,926	134	2,060	+ 69
1983	1,926	134	2,060	137	80	1,985	132	2,117	+ 57
1984	1,985	132	2,117	166	90	2,062	131	2,193	+ 76
1985	2,062	131	2,193	N.A.	N.A.	N.A.	N.A.	2,260	+ 67

Note: Data for 1983 and 1984 are revised. The figure for year-end 1985 is preliminary. A change in domicile is reflected in both new and discontinued operations.

N.A.—Not available.

*Includes seven companies domiciled in Alaska and Hawaii which were started in earlier years.

Source: American Council of Life Insurance.

EMPLOYMENT IN INSURANCE

The insurance business in the United States employed 1,830,200 persons in all of its branches in 1985.

Government data on employees of insurance agencies and home offices in 1985 show a total of 1,281,600 insurance home office personnel (552,600 in life insurance) and 548,600 insurance agents, brokers and service personnel.

Not included in these figures are persons on unpaid leaves of absence, persons working in insurance but not employed by a firm that participates in the unemployment insurance program, and persons who for some other reasons were not counted in the U.S. Bureau of Labor Statistics' periodic surverys of service establishments. Data gathered by the U.S. Census Bureau through household interviews show a total of 2,079,000 persons who identify their main employment as in the insurance field.

Data from an annual survey of 342 life and health insurance companies that are members of the Center for Corporate Public Involvement show that in 1985, women comprised 59% of company employees; minorities accounted for 17%. Women held 48% of professional, technical and managerial positions, and minorities represented 12% of reporting company employees in such positions. (The Center is sponsored jointly by the American Council of Life Insurance and the Health Insurance Association of America.)

Number of Persons Employed in Insurance in the United States

	Home Office Personnel					
Year	Life Insurance	Health Insurance	Other	Total	Agents, Brokers, Service Personnel	Total
1960	452,400	50,200	329,100	831,700	217,300	1,049,000
1965	481,200	54,200	358,000	893,400	250,300	1,143,700
1970	525,600	93,900	410,200	1,029,700	288,000	1,317,700
1971	531,600	98,200	417,100	1,046,900	292,800	1,339,700
1972	526,000	101,300	427,000	1,054,300	301,400	1,355,700
1973	525,900	106,500	438,600	1,071,000	311,500	1,382,500
1974	526,900	114,300	446,000	1,087,200	329,000	1,416,200
1975	520,500	122,100	442,700	1,085,300	339,400	1,424,700
1976	513,900	127,300	460,100	1,101,300	350,900	1,452,200
1977	518,600	131,900	490,400	1,140,900	372,200	1,513,100
1978	519,100	135,400	519,100	1,173,600	403,200	1,576,800
1979	519,600	137,300	542,900	1,199,800	430,100	1,629,900
1980	531,900	141,900	550,300	1,224,100	452,300	1,676,400
1981	542,200	142,700	552,000	1,236,900	465,100	1,702,000
1982	546,100	142,100	549,100	1,237,300	476,200	1,713,500
1983	539,900	144,800	544,200	1,228,900	490,700	1,719,600
1984	536,700	153,900	549,200	1,239,800	517,500	1,757,300
1985	552,600	169,300	559,700	1,281,600	548,600	1,830,200

Note: Includes only persons on the payroll of insurance establishments that participate in the unemployment insurance program.

Source: U.S. Department of Labor, Bureau of Labor Statistics, *Employment and Earnings*, various issues.

LIFE EXPECTANCY

The average length of a person's life in the United States has increased by almost 60% during this century.

Most of the improvement in life expectancy took place during the first half of the century. Little change has occurred since the mid-1950s. Between 1900 and 1960, life expectancy increased by 22.4 years, but since 1960, it has increased by only 5.0 years to an estimated 74.7 years in 1985.

But while this century's advances in medicine, public health and safety have added to people's lives, the benefits have not been distributed equally. By far the largest increase in life expectancy has been among the newborn as a result of sharp reductions in mortality among infants and young children. Increases in life expectancy have been progressively smaller at older ages, and smaller for men than for women at all ages.

The measure of life expectancy results from the calculation of the average number of years of life that remain to a group of persons now at the same age, based on a particular mortality table. The measurement refers to the entire group and cannot be taken to indicate how long a particular individual may expect to live.

The gain in life expectancy for women since the turn of the century has been greater than for men at nearly all ages. Female life expectancy at birth has increased by 29.8 years since 1900, while male life expectancy has increased

Expectation of Life at Birth in the United States (Years)

	White			All Other			Total		
Year	Male	Female	Total	Male	Female	Total	Male	Female	Total
1900	46.6	48.7	47.6	32.5	33.5	33.0	46.3	48.3	47.3
1910	48.6	52.0	50.3	33.8	37.5	35.6	48.4	51.8	50.0
1920	54.4	55.6	54.9	45.5	45.2	45.3	53.6	54.6	54.1
1930	59.7	63.5	61.4	47.3	49.2	48.1	58.1	61.6	59.7
1940	62.1	66.6	64.2	51.5	54.9	53.1	60.8	65.2	62.9
1950	66.5	72.2	69.1	59.1	62.9	60.8	65.6	71.1	68.2
1960	67.4	74.1	70.6	61.1	66.3	63.6	66.6	73.1	69.7
1965	67.6	74.7	71.0	61.1	67.4	64.1	66.8	73.7	70.2
1970	68.0	75.6	71.7	61.3	69.4	65.3	67.1	74.8	70.9
1971	68.3	75.8	72.0	61.6	69.8	65.6	67.4	75.0	71.1
1972	68.3	75.9	72.0	61.5	70.1	65.7	67.4	75.1	71.2
1973	68.5	76.1	72.2	62.0	70.3	66.1	67.6	75.3	71.4
1974	69.0	76.7	72.8	62.9	71.3	67.1	68.2	75.9	72.0
1975	69.5	77.3	73.4	63.7	72.4	68.0	68.8	76.6	72.6
1976	69.9	77.5	73.6	64.2	72.7	68.4	69.1	76.8	72.9
1977	70.2	77.9	74.0	64.7	73.2	68.9	69.5	77.2	73.3
1978	70.4	78.0	74.1	65.0	73.5	69.3	69.6	77.3	73.5
1979	70.8	78.4	74.6	65.4	74.1	69.8	70.0	77.8	73.9
1980	70.7	78.1	74.4	65.3	73.6	69.5	70.0	77.4	73.7
1981	71.1	78.4	74.8	66.1	74.4	70.3	70.4	77.8	74.2
1982	71.5	78.7	75.1	66.8	75.0	71.0	70.9	78.1	74.5
1983	71.7	78.7	75.2	67.2	74.9	71.1	71.0	78.1	74.6
1984*	71.8	78.8	N.A.	N.A.	N.A.	N.A.	71.1	78.3	74.7
1985†	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	71.2	78.1	74.7

*Data are provisional from the National Center for Health Statistics.

†Data are estimated by Metropolitan Life Insurance Company.

N.A. = Not available.

Note: Some data are revised.

Sources: National Center for Health Statistics, U.S. Department of Health and Human Services, and Metropolitan Life Insurance Company. *Statistical Bulletin*, July-September 1986.

by 24.9 years. Estimated data for 1985 shows a reversal in the longstanding trend of an increasing discrepancy in life expectancy at birth between males and females. The life expectancy for newborn boys rose to 71.2 years, while the life expectancy for newborn girls fell to 78.1 years.

In contrast, the difference in life expectancy between white and nonwhite Americans has been greatly reduced in this century. Generally, the gain for nonwhite males has exceeded that for white males at all ages. Nonwhite females showed the greatest gains at the younger and older ages.

Expectation of Life at Various Ages in the United States, 1983-1985

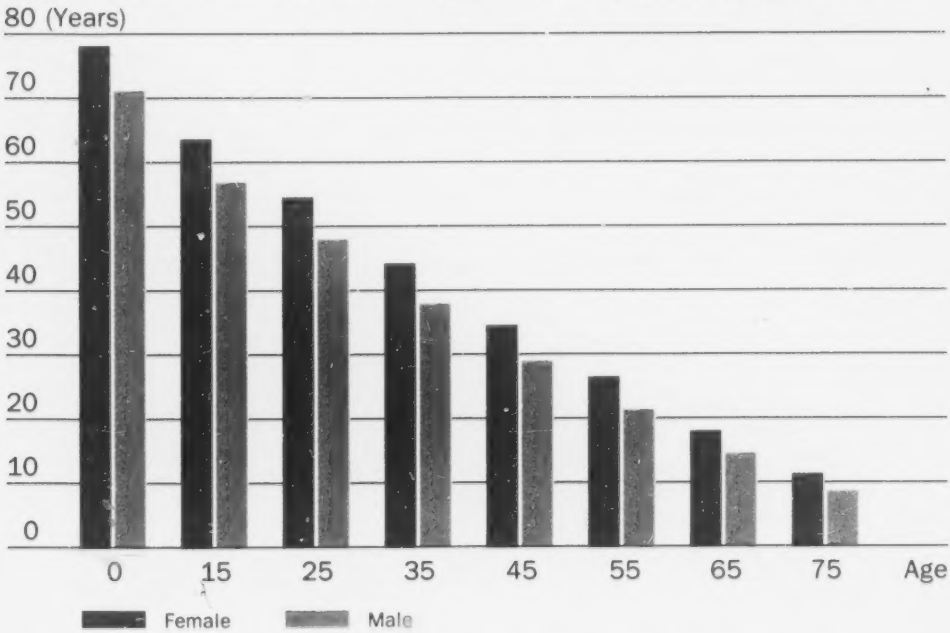
	1983			1984*			1985†		
Age	Male	Female	Total	Male	Female	Total	Male	Female	Total
0	71.0	78.1	74.6	71.1	78.3	74.7	71.2	78.1	74.7
15	57.3	64.2	60.8	57.3	64.3	60.8	57.4	64.2	60.8
25	48.0	54.5	51.3	48.1	54.6	51.4	48.1	54.5	51.4
35	38.8	44.9	41.9	38.8	44.9	42.0	38.9	44.8	41.9
45	29.7	35.4	32.7	29.8	35.5	32.7	29.8	35.4	32.7
55	21.4	26.6	24.1	21.5	26.7	24.2	21.5	26.5	24.2
65	14.5	18.6	16.7	14.5	18.7	16.8	14.5	18.6	16.8
75	9.0	11.8	10.7	9.0	11.9	10.7	9.0	11.8	10.6

*Data are provisional from the National Center for Health Statistics.

†Data are estimated by Metropolitan Life Insurance Company.

Sources: National Center for Health Statistics, U.S. Department of Health and Human Services and Metropolitan Life Insurance Company, *Statistical Bulletin*, July-September 1986.

Expectation of Life at Various Ages in the United States 1985



CAUSES OF DEATH

In recent decades, the overall death rate of the U.S. population has decreased due to medical developments, improvements in public health and job safety, and rising standards of living. The crude death rate in 1985 was 8.7 per 1,000 population, the same as in 1984.

Medical improvements and environmental changes have been more effective in reducing deaths from some causes than others. There has been increasing success in identifying and controlling contagious diseases, but there has been less success in controlling deaths from accidental causes.

In 1985, almost 7 out of 10 deaths in the United States were due to two principal causes: cardiovascular-renal diseases and cancer.

Since the 1960s, deaths attributable to cardiovascular-renal diseases have decreased slightly, whereas cancer has been an increasing cause of death.

The percentage of deaths due to cardiovascular-renal diseases declined to 47.0% of all deaths in 1985. Deaths due to ischemic heart disease and chronic disease of the endocardium and other myocardial insufficiencies declined to 26.2% in 1985. Cerebrovascular diseases decreased to 7.3% in 1985.

The proportion of deaths due to cancer decreased slightly to 22.0%.

Motor vehicle accidents are another major cause of death. In 1985, the percentage of deaths due to this cause was 2.1%.

The percentage of deaths attributable to accidents, other than those involving motor vehicles, amounted to 2.4% of deaths in 1985. Two other external causes of death, suicide and homicide, represented 2.2% of deaths.

Over the years, the nation's life insurance companies have made significant contributions to basic research relating to causes of death. Cardiology was a prime research area after World War II. A recent focus has been in the areas of delivery of health care services and preventive medicine through the Life Cycle Preventive Health Care Study. The Life and Health Insurance Medical Research Fund, supported by insurance company contributions, provides funds for basic medical research in atherosclerotic heart, cancer and metabolic diseases and scholarships for students working on combination M.D./Ph.D. degrees and planning careers in medical research and teaching. The life insurance business is also a major contributor to the National Fund for Medical Education, which provides grants for research and innovation in medical education and postgraduate fellowships for medical educators.

Causes of Death in the United States Population

Causes of Death	Percent of Deaths							
	1900	1920	1940	1960	1980	1983	1984[P]	1985[P]
NATURAL CAUSES								
Ischemic Heart Disease and Other Myocardial Insufficiencies	7.9%	12.2%	26.5%	28.9%	28.8%	27.4%	26.7%	26.2%
Hypertensive Heart Disease and Hypertension	†	†	†	†	1.5	1.6	1.5	1.5
Other Diseases of the Heart	†	†	†	7.8	8.2	9.2	9.4	9.9
Cerebrovascular Disease	4.7	6.6	7.4	11.3	8.6	7.7	7.6	7.3
Diseases of the Arteries, Arterioles and Capillaries	0.3	1.8	1.8	2.1	2.5	2.4	2.3	2.1
Cancer	3.8	6.6	11.5	15.6	20.9	21.9	22.2	22.0
Diabetes	0.6	1.2	2.5	1.7	1.8	1.8	1.8	1.8
Influenza and Pneumonia	10.4	11.7	6.5	3.9	2.7	2.6	2.9	3.2
Chronic Liver Disease and Cirrhosis	1.3	0.8	0.9	1.2	1.5	1.4	1.3	1.3
Other Diseases	65.9	52.3	34.1	20.4	15.3	17.0	17.3	18.0
Total Natural Causes	94.9	93.2	91.2	92.9	91.9	93.0	93.0	93.3
EXTERNAL CAUSES								
Motor Vehicle Accidents	–	0.8	2.4	2.2	2.7	2.2	2.2	2.1
Other Accidents	4.4	4.7	4.4	3.3	2.8	2.4	2.4	2.4
Suicide	0.6	0.8	1.4	1.1	1.4	1.4	1.4	1.3
Homicide	0.1	0.5	0.6	0.5	1.2	1.0	1.0	0.9
Total External Causes	5.1	6.8	8.8	7.1	8.1	7.0	7.0	6.7
TOTAL ALL CAUSES	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

†Included with "Other Diseases."

P = Preliminary

Source: U.S. Department of Health and Human Services, National Center for Health Statistics. *Vital Statistics of the United States*, various annual editions.

Death Rate

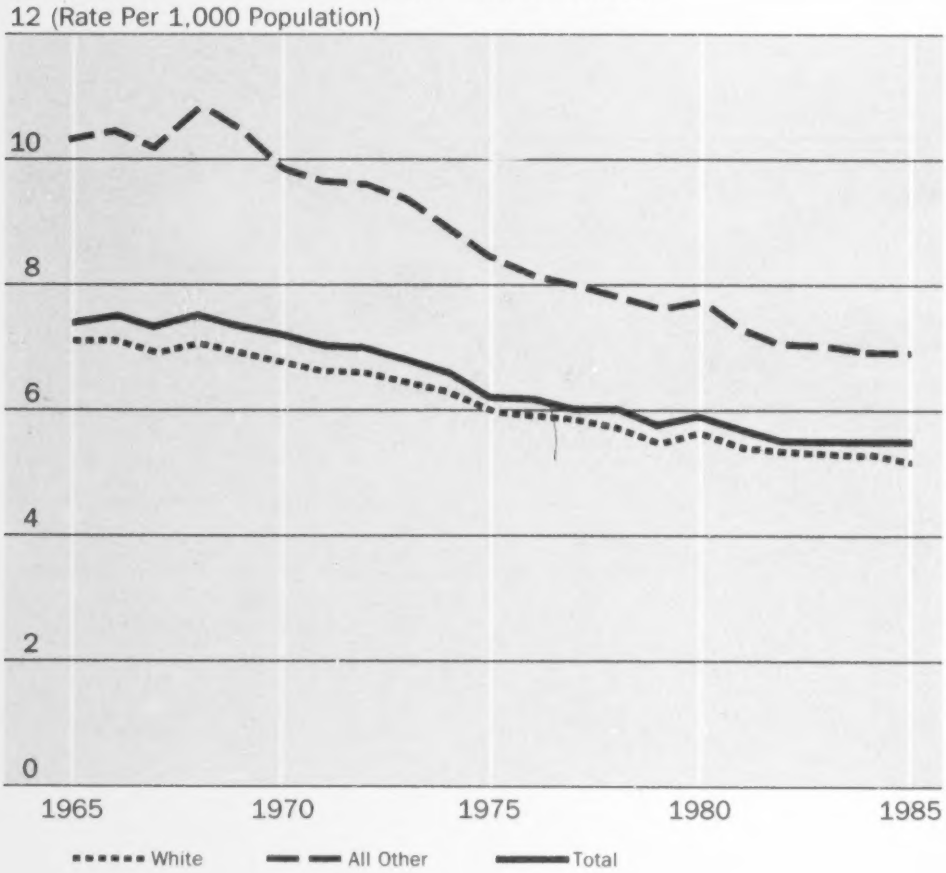
Mortality among Americans, as measured by the death rate, has decreased in recent years, after remaining at about the same level for more than a decade.

The age-adjusted death rate (technically adjusted for the changing proportion of people at each age in the U.S. population) was 5.5 per thousand in 1985, the same as in 1984 and the lowest rate ever recorded. In 1975, the rate was 6.3. From 1975 to 1980 there was a 6.3% drop to 5.9. The drop from 1980 to 1985 was more significant—a decrease of 6.8%.

The decrease in mortality reflects continuing downtrends for two causes of death: diseases of the heart and cerebrovascular diseases. The mortality rates for these two causes, which accounted for 44.9% of the 1985 deaths from all causes, decreased 4.7% from 1980 to 1985.

For 1985 the death rate for the male population was 7.2 per thousand, compared with the female rate of 4.1 per thousand. The rate for persons of races other than white was 6.9 per thousand, compared with a rate of 5.2 per thousand for white persons.

Age-Adjusted Death Rate in the United States



During the first half of this century there was a sharp decline in the death rate due to advances in medicine. This decline resulted in a reduction of deaths at young and middle ages, so that many more people now live into their seventies and eighties.

Between 1950 and 1970, however, there was relatively little change in the death rate for the total population. As the seventies began, the death rate began to decline more noticeably, falling from 7.1 per thousand in 1970 to 5.5 per thousand in 1985. Between 1970 and 1985 the overall death rate for women and for men dropped the same percentage. The rate per thousand for men declined from 9.3 per thousand to 7.2, a decrease of 22.6%; for women the change was from 5.3 per thousand in 1970 to 4.1 per thousand in 1985.

Because life insurance policyholders as a group represent a large proportion of the total population, their overall mortality rates are likely to parallel those for the nation as a whole. Even though the actual experience of a particular life company may differ from the general pattern, long-term population mortality trends are a useful indicator of the probable experience of most life companies. If the general death rate in the United States declines, the rate among life insurance policyholders is likely to drop.

Death Rate in the United States

Age-Adjusted Rate Per 1,000 Population

Year	Male	Female	Total	Year	Male	Female	Total
1915	15.4	13.4	14.4	1973	9.1	5.1	6.9
1920	14.7	13.8	14.2	1974	8.7	4.9	6.6
1925	13.8	12.2	13.0	1975	8.4	4.6	6.3
1930	13.5	11.3	12.5	1976	8.2	4.6	6.2
1935	12.9	10.4	11.6	1977	8.0	4.4	6.0
1940	12.1	9.4	10.8	1978	7.9	4.4	6.0
1945	11.1	8.0	9.5	1979	7.7	4.2	5.8
1950	10.0	6.9	8.4	1980	7.8	4.3	5.9
1955	9.3	6.1	7.7	1981	7.5	4.2	5.7
1960	9.5	5.9	7.6	1982	7.3	4.1	5.5
1965	9.5	5.6	7.4	1983	7.3	4.1	5.5
1970	9.3	5.3	7.1	1984*	7.2	4.1	5.5
1971	9.1	5.2	7.0	1985*	7.2	4.1	5.5
1972	9.2	5.2	7.0				

*Provisional data.

N.A.—Not Available.

Note: Some data are revised. Rates have been computed using the 1940 age distribution of the United States population as the standard population. Figures for 1915-1930 are for Death Registration States only; 1935-1985 are for the United States.

Source: National Center for Health Statistics, U.S. Department of Health and Human Services.

SELECTION OF RISKS

The great majority of Americans who apply for life insurance are able to get it. About 98% of the applications for ordinary life insurance in the United States are accepted by the life companies, according to the latest in a series of surveys.

Only 2% of ordinary life applications are not acceptable. Three-fourths of these applicants have serious health impairments, while the remainder are declined because of other factors, including extremely hazardous jobs.

Life companies have been successful over the years in solving the problems presented by two conflicting underwriting objectives. The selection procedures must provide the benefit of life insurance protection to the greatest possible number of people. Yet, in fairness to all policyholders, life insurance companies must take into account individual differences among applicants, such as age, sex, family health background, medical history, occupation and avocation.

With the applicant's written consent, statements about health or risk activities can be checked with the Medical Information Bureau, an association of member life insurance companies founded by medical directors to alert underwriters to inaccuracies, omissions and willful attempts at fraud. The life insurance company may also ask the family physician for additional details about an applicant's health, with the applicant's permission.

Several developments have contributed to the high rate of acceptance of applicants. Extra-risk life insurance policies, with higher premiums to compensate for poor health or hazardous occupations, have made insurance available to many who could not otherwise obtain it. And advances in medicine, job safety and public health have led to more liberal underwriting of policies, enabling many persons to buy insurance at standard rates who would formerly have had to pay higher premiums because of their health or occupations.

In 1980, the Society of Actuaries and the Association of Life Insurance Medical Directors released findings from a major new statistical investigation of the effects of weight and blood pressure on mortality. The study, a follow-up to the landmark 1959 Build and Blood Pressure Study, provided important new information linking excess weight and untreated hypertension with increased risk of death. Among the

Ordinary Life Insurance Applications in the United States

	1980		1984	
	Number of Policies	Amount	Number of Policies	Amount
ISSUED AND PAID FOR				
Standard	84%	80%	87%	85%
Extra-Risk	4	4	3	3
Total	88	84	90	88
NOT TAKEN BY APPLICANT				
Standard	8	12	7	8
Extra-Risk	2	2	1	2
Total	10	14	8	10
DECLINED BY COMPANY	2	2	2	2
TOTAL	100%	100%	100%	100%

Source: American Council of Life Insurance.

findings was the fact that people who weigh a little less than average have slightly lower death rates than individuals of average weight for their height.

While the findings reaffirmed the extra risk of death among individuals with elevated blood pressure, new evidence showed that individuals successfully treated for high blood pressure experienced a near normal risk of death.

In 1984, extra-risk policies accounted for 4% of all the ordinary life insurance policies issued and paid for and 4% of all the ordinary policies in force at the end of the year.

A sample of the extra-risk policies bought in 1984 showed that 73% of the policies with extra-rating were rated for medical reasons, including: cardiovascular-renal disease or its symptoms, 33%; weight problems, 14%; other medical reasons, 26%. The remaining 27% were for occupational or other reasons.

Liberalization of underwriting is a continuing process in life insurance. For instance, companies often insure, at standard rates, cancer victims who have fully recovered. Skindivers, who in former years had to pay higher premiums for life insurance, if they could get it at all, now can usually obtain policies at standard rates. Changes in underwriting policy are supported by research into the effects of various health and occupational hazards on life expectancy and mortality.

Standard and Extra-Risk Ordinary Life Insurance in the United States

	Purchased During Year		Insurance In Force at End of Year	
	Policies	Amount	Policies	Amount
1980				
Standard	14,049,000	$367,414,000,000	141,788,000	$1,685,830,000,000
Extra-Risk	701,000	18,161,000,000	5,923,000	74,644,000,000
Total	14,750,000	$385,575,000,000	147,711,000	$1,760,474,000,000
1984				
Standard	17,045,000	$796,151,000,000	139,450,000	$2,800,756,000,000
Extra-Risk	650,000	24,164,000,000	5,166,000	86,818,000,000
Total	17,695,000	$820,315,000,000	144,616,000	$2,887,574,000,000

Source: American Council of Life Insurance.

OTHER TYPES OF LIFE INSURANCE

Legal reserve life insurance companies accounted for 97.6% of life insurance in force in the United States at the end of 1985. The remainder, $148.9 billion, was issued by other private insurers and by the federal government.

Veterans life insurance in force totaled $28.1 billion, including $242 million of U.S. Government Life Insurance (World War I), and $27.9 billion of National Service Life Insurance (World War II plus Insurance Act of 1951). The latter category includes insurance provided through a 1964 law which temporarily reopened enrollment for certain veterans whose disabilities made private life insurance unobtainable.

In addition to those government programs, legislation enacted in 1965 established Servicemen's Group Life Insurance (SGLI) for men and women on active duty in the uniformed services. Under the original program, up to $10,000 of group life insurance was available to each individual on a voluntary basis and nearly all of those who were eligible took this protection.

Legislation since then has substantially liberalized and extended the SGLI program. The maximum limit now is $35,000, and automatic full-time coverage is extended to all qualified reservists, including members of the National Guard. Retired reservists who have completed 20 years of creditable service are also eligible for coverage on a voluntary basis.

In addition, a new program was introduced in 1974, Veterans Group Life Insurance (VGLI). The VGLI program provides non-renewable, five-year term life insurance in

Veterans Life Insurance (000,000 omitted)

Year	Insurance In Force		Benefit Payments				Supplementary Contract Payments	Premium Income
	Policies	Amount	Death Payments	Dividends	Other Benefits	Total		
1941	1	$ 5,034	$ 39	$ 8	$ 36	$ 83	$ 15	$ 67
1945	13	98,426	1,227	8	27	1,262	240	1,029
1950	7	45,286	204	625	50	879	325	465
1955	6	42,728	114	196	56	366	319	471
1960	6	42,030	162	262	67	491	307	550
1965	6	39,369	219	222	81	522	238	579
1970	5	37,474	301	274	142	717	216	579
1971	5	36,925	312	285	138	735	209	586
1972	5	36,591	326	297	123	746	307	703
1973	5	36,214	341	302	130	773	195	647
1974	5	35,736	361	334	126	821	189	646
1975	5	35,257	359	376	132	867	183	655
1976	5	34,721	374	403	151	928	184	679
1977	5	34,207	382	444	169	995	178	673
1978	5	33,657	393	482	174	1,049	170	684
1979	5	33,002	401	562	206	1,169	175	680
1980	5	32,378	429	615	220	1,264	180	708
1981	4	31,690	447	659	250	1,356	180	728
1982	4	30,941	452	667	260	1,379	163	743
1983	4	30,115	475	721	259	1,455	147	734
1984	4	28,777	488	796	263	1,547	143	743
1985	4	28,142	512	904	317	1,733	136	757

Note: "Death Payments" represent the face amounts of death claims incurred during the year, including amounts left to be paid under supplementary contracts. "Supplementary Contract Payments" represent the total payments from accumulated insurance policy proceeds left to be paid in monthly installments, and withdrawals of dividend accumulations. Servicemen's Group Life Insurance data are excluded.

amounts up to $35,000 to all terminating servicemen and women. When the term insurance expires, the veteran may convert to an individual life insurance policy issued by any company participating in the SGLI program.

Servicemen's Group Life Insurance is supervised by the Veterans Administration, and is chiefly underwritten by 297 life insurance companies. Totals of SGLI in force are included in the life insurance companies' figures in this book rather than under these government programs.

Legal reserve life insurance was also in force with fraternal benefit societies in the United States and Canada, and amounted to $104.4 billion in 1985, an increase of $14.3 billion over 1984. Benefit payments amounted to $1.6 billion for the year. In 1985, there were some 200 fraternal benefit societies with 43,491 lodges in the United States and Canada.

Legal reserve life insurance in force with savings banks in the states of Connecticut, Massachusetts and New York amounted to $16.4 billion in 1985, an increase of 4.9% during the year. The banks issued $1.7 billion during the year, $624 million more than the previous year. The limit on individual coverage with savings banks varies by state. Connecticut has a limit of $30,000, Massachusetts, $60,000, and New York, $50,000.

The amount of life insurance protection now in force with assessment associations, mutual aid groups, burial societies and similar organizations is not available but is believed to be very small in proportion to all other life insurance.

Fraternal and Savings Bank Life Insurance (000,000 omitted)

	1980	1981	1982	1983	1984	1985
FRATERNAL LIFE INSURANCE (U.S. and Canadian Societies)						
Insurance in Force	$58,306	$63,354	$68,599	$77,387	$90,062	$104,393
Insurance Purchased	8,916	10,045	11,508	19,373	24,519	29,220
Assets	10,032	10,921	12,089	13,263	14,630	16,288
Benefits	682	824	982	1,123	1,327	1,559
Premium Income	1,000	1,207	1,506	1,666	1,608	1,996
SAVINGS BANK LIFE INSURANCE						
Connecticut						
Insurance In Force	$ 1,275	$ 1,410	$ 1,506	$ 1,658	$ 1,812	$ 1,959
Insurance Purchased*	118	175	164	198	213	268
Assets	45	48	52	63	73	92
Benefits	6	7	7	8	9	8
Premium Income	9	10	11	18**	17**	24**
Massachusetts						
Insurance In Force	$ 3,128	$ 3,441	$ 3,681	$ 4,069	$ 4,422	$ 4,776
Insurance Purchased	496	437	408	503	478	482
Assets	416	443	468	492	520	559
Benefits	37	42	44	46	46	50
Premium Income	38	47**	44**	44**	48**	50**
New York						
Insurance In Force	$ 8,941	$ 9,484	$ 9,557	$ 9,460	$ 9,358	$ 9,617
Insurance Purchased	615	622	526	521	348	913
Assets	481	519	553	593	629	672
Benefits	60	65	71	71	78	87
Premium Income**	84	89	92	94	95	96

*Purchases include reinsurance assumed, revivals and increases.

**Includes annuity considerations.

Sources: The National Fraternal Congress of America; The Savings Bank Life Insurance Company of Connecticut; Savings Bank Life Insurance Council (Massachusetts)—figures reported as of October 31; Savings Banks Life Insurance Fund (New York).

LIFE INSURANCE IN VARIOUS COUNTRIES

The life insurance data presented in this chapter represent, for the most part, the countries of Western Europe, the Americas and Australasia.

One way of comparing national levels of life insurance ownership is through data on life insurance in force. However, direct comparisons are impractical because countries vary widely in economic conditions, personal income levels, living and health standards and other circumstances. So conversion of the amounts of life insurance in force in each country to a common currency would not yield a reasonable international comparison.

An index that reduces the influence of these differences is the ratio of life insurance in force to national income. It serves as a measure of the significance of life insurance protection in each country. Such ratios have, in general, shown improvement during the past decade.

By this statistical measure, Japan leads all other nations for which data are currently available. South Africa ranks second, followed by Canada. The other countries in which life insurance in force equals or exceeds national income are the United States, the Netherlands, the United Kingdom, Ireland, and Australia.

Ratio of Life Insurance In Force to National Income in Various Countries

Country	1979	1984	Country	1979	1984
Australia	107%	107%	Korea	22%	99%*
Belgium	51	51	Netherlands	120	139
Brazil	22	N.A.	Norway	40	48
Canada	154	184	Pakistan	16	16
Denmark	51	62	Philippines	21	18
Finland	18	17	South Africa	N.A.	211
France	95	N.A.	Spain	17	22*
Germany (F.R.)	57	68	Sweden	128	N.A.
Honduras	21	37	Tanzania	4	6*
Iceland	9	12*	Thailand	7	11
India	22	19*	Tunisia	N.A.	13
Indonesia	4	4*	United Kingdom	104	129
Ireland	83	128	United States	149	169
Italy	9	9	Zambia	8	12
Japan	272	343			

Note: National income data is on a "market prices" basis. In general, the figures represent life insurance in force on the lives of residents of the country with both domestic and foreign private companies. In a few cases, annuities are included; in other cases, the figures represent the total business of domestic companies of the country and/or insurance that has been issued by government organizations.

N.A.—Not available. *Data are for 1983.

Sources: American Council of Life Insurance and International Monetary Fund.

Life Insurance in Force in Various Countries (000,000 omitted)

Country	Currency	1960	1970	1980	1984	1985
Australia	Dollar	8,464	39,710	120,799	190,823	213,517
Austria	Schilling	9,132	40,104	237,282	352,000	396,000
Belgium	Franc	173,896	459,339	1,648,739	2,059,257	N.A.
Brazil	Cruzado	N.A.	N.A.	2,218	122,658	400,000
Cameroon	CFA Franc	N.A.	N.A.	N.A.	2,461	N.A.
Canada	Dollar	46,867	118,822	431,194	678,799	739,855
Chile	Peso	N.A.	N.A.	2,033	17,870	N.A.
China (Taiwan)	N.T. Dollar	969*	19,674*	304,976	1,144,593	1,351,727
Costa Rica	Colone	494	1,884	15,996	41,521	52,235
Denmark	Krone	11,270	47,576	196,382	306,731	N.A.
Egypt	Pound	147	155	684	1,631	2,080
Fiji	Dollar	N.A.	N.A.	N.A.	791	N.A.
Finland	Markkaa	4,742	11,938	27,179	43,765	N.A.
France	Franc	53,289	292,000	2,426,000	4,220,000	4,800,000
Germany (F.R.)	D. Mark	65,616	235,234	785,138	1,047,898	1,116,600
Guatemala*	Quetzal	N.A.	N.A.	400	472	N.A.
Honduras	Lempira	N.A.	N.A.	1,020	2,132	2,227
Iceland	Kronur	3	48	1,143	9,115	N.A.
India	Rupee	21,760	70,706	278,829	440,029	N.A.
Indonesia	Rupiah	N.A.	10,689	1,275,190	3,338,062	N.A.
Ireland	Irish Pound	180	947	6,992	16,797	20,000
Israel	New Shekel	**	1	82	7,645	25,806
Italy	Lira	2,201,611	7,306,609	24,634,706	48,350,907	61,000,000
Japan	Yen	6,696,943	74,938,370	572,328,000	807,310,506	876,724,983
Korea	Won	9,855	264,451	11,377,847	52,565,647	75,284,092
Luxembourg	Franc	N.A.	N.A.	N.A.	77,171	N.A.
Malaysia	Ringgit	N.A.	1,570	11,295	32,985	40,544
Mexico	Peso	N.A.	110,993	1,289,563	7,379,193	13,200,000
Netherlands	Guilder	38,915	112,288	379,500	491,136	510,000
New Zealand	Dollar	2,278	6,894	25,593	40,010	N.A.
Nicaragua	Cordoba	N.A.	N.A.	540	16,277	N.A.
Norway	Kroner	8,518	22,411	92,720	178,621	240,674
Pakistan	Rupee	1,243	11,681	46,176	68,609	76,916
Paraguay	Guarani	N.A.	N.A.	N.A.	17,282	N.A.
Peru	Sol	3,102	18,572	165,419	N.A.	N.A.
Philippines	Peso	2,108	10,437	47,988	85,579	93,505
Poland	Zloty	59,950	252,715	843,949	1,615,737	2,000,000
Portugal	Escudo	N.A.	665	2,573	6,331	9,083
South Africa	Rand	N.A.	N.A.	N.A.	180,000	220,000
Spain	Peseta	25,826	184,250	2,644,820	7,942,014	9,000,000
Sweden	Krona	33,550	196,900	525,000	800,000	880,000
Tanzania*†	Shilling	N.A.	194	1,707	3,209	3,626
Thailand	Baht	2,422	5,267	44,098	92,357	101,530
Tunisia	Dinar	N.A.	N.A.	N.A.	730	800
United Kingdom	Pound	14,509	34,250	152,200†	368,000†	395,000†
United States	Dollar	586,448	1,402,123	3,541,038	5,499,937	6,053,107
Venezuela	Bolivar	N.A.	9,074	59,927	97,247	N.A.
Zambia	Kwacha	N.A.	N.A.	212	452	552

*Group life excluded.

**Less than 500,000.

†Pension business excluded.

Note: In general, the figures represent life insurance in force on the lives of residents of the country with both domestic and foreign private companies. In a few cases, annuities are included; in other cases, the figures represent the total business of domestic companies of the country and/or insurance that has been issued by government organizations.

N.A.—Not available.

Source: American Council of Life Insurance.

Canada

Canadians bought some $120.4 billion of life insurance in 1985, an increase of $10.1 billion, or 9.1%, over 1984. Of the 1985 total, 65% was individually purchased insurance and 35% was group. By contrast, group insurance was 47% of purchases in 1975.

At the end of 1984, Canadians owned life insurance equaling 184% of their national income, compared with 169% in the United States.

Total life insurance in force in Canada at the end of 1985 was $739.9 billion, a 9% increase during the year.

Over two-fifths of the life insurance in force in Canada is ordinary life. As a percentage of all life insurance, however, ordinary insurance in Canada has increased in proportion to group life insurance in force during the last three years. In 1985, group life was 55% of the total, the same as in 1975.

The industry administered over 14 million individual life insurance policies and over 90,000 group life insurance policies covering 24.9 million persons at the end of 1985. About three-quarters of this protection was with Canadian life companies. Much of the rest was with U.S. companies. Canadians also carry policies with British and other European life insurance companies.

Life insurance benefits paid during the year to Canadians amounted to $7.8 billion. Of this total, $6.3 billion, or 80%, was paid as living benefits to policyholders and annuitants.

The assets of the 79 Canadian incorporated life insurance companies are invested primarily in the private sector of the nation's economy, chiefly in corporate bonds and mortgages. Many Canadian life companies invest part of their funds in the United States, where they conduct over one-fifth of their business, and many U.S. companies similarly invest and do business in Canada.

Life Insurance in Canada

(Millions of Canadian Dollars)

PURCHASES	1984	1985
Ordinary	$ 72,360	$ 78,805
Group	37,947	41,595
Total	$110,307	$120,400
INSURANCE IN FORCE		
Ordinary	$299,451	$334,234
Group	379,348	405,621
Total	$678,799	$739,855
BENEFIT PAYMENTS		
Death Payments	$ 1,436	$ 1,567
Matured Endowments	79	79
Disability Payments	56	62
Annuity Payments	3,234	4,311
Surrender Values	874	877
Policy Dividends	908	945
Total	$ 6,587	$ 7,841
PREMIUM INCOME	$ 9,493	$ 11,096

Note: Figures cover the business in Canadian, U.S., and other foreign companies. "Ordinary" in the "Purchases" and "Insurance In Force" categories includes industrial insurance. "Annuity Payments" include any death payments, disability payments and surrender values from annuities. Annuity dividends are included in "Policy Dividends." Figures cover both Federally registered companies and provincial licensees.

Source: Canadian Life and Health Insurance Association, Inc.

Distribution of Assets

Canadian Life Insurance Companies (Millions of Canadian Dollars)

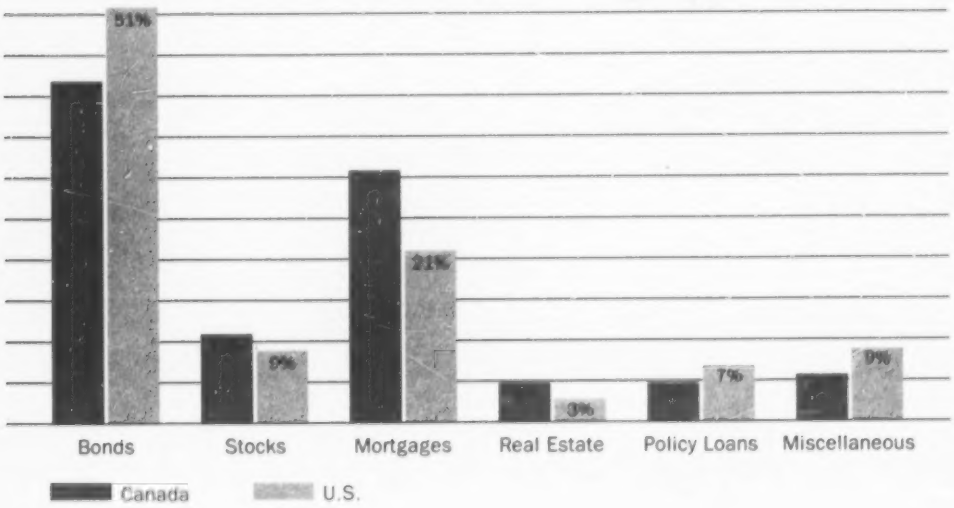
	1980	1981	1982	1983	1984	1985
Bonds	$16,425	$18,400	$21,434	$24,426	$30,525	$36,701
Stocks	5,857	6,180	6,964	8,679	9,089	9,877
Mortgages	16,511	17,533	19,005	21,423	22,977	27,041
Real Estate	2,343	2,848	3,428	3,884	4,014	4,336
Policy Loans	2,812	3,554	3,921	3,976	4,035	4,060
Miscellaneous Assets	1,863	3,306	3,855	3,557	5,524	5,660
Total	$45,811	$51,821	$58,607	$65,945	$76,164	$87,675

Note: Figures cover the world-wide business of Canadian companies. Assets do not include deferred premiums. These amounted to $435 million in 1985. The data for 1983 and 1984 are revised.

Sources: Canadian Life and Health Insurance Association, Inc.

Distribution of Assets, 1985

Canadian and U.S Life Insurance Companies



STATE INSURANCE OFFICIALS

Alabama, Montgomery	Michael DeBellis	Commissioner of Insurance
Alaska, Juneau	John L. George	Director of Insurance
Arizona, Phoenix	S. David Childers	Director of Insurance
Arkansas, Little Rock	Robert M. Eubanks, III	Insurance Commissioner
California, Los Angeles	Roxani Gillespie	Insurance Commissioner
Colorado, Denver	John Kezer	Commissioner of Insurance
Connecticut, Hartford	Peter W. Gillies	Insurance Commissioner
Delaware, Dover	David N. Levinson	Insurance Commissioner
D.C., Washington	Margurite C. Stokes, Acting	Superintendent of Insurance
Florida, Tallahassee	Bill Gunter	Insurance Commissioner
Georgia, Atlanta	Warren D. Evans	Insurance Commissioner
Hawaii, Honolulu	Mario R. Ramil	Insurance Commissioner
Idaho, Boise	Wayne L. Soward	Director of Insurance
Illinois, Chicago	John E. Washburn	Director of Insurance
Indiana, Indianapolis	Harry E. Eakin	Commissioner of Insurance
Iowa, Des Moines	William D. Hager	Commissioner of Insurance
Kansas, Topeka	Fletcher Bell	Commissioner of Insurance
Kentucky, Frankfort	Gil McCarty	Commissioner of Insurance
Louisiana, Baton Rouge	Sherman A. Bernard	Commissioner of Insurance
Maine, Augusta	Theodore T. Briggs	Superintendent of Insurance
Maryland, Baltimore	Edward J. Muhl	Insurance Commissioner
Massachusetts, Boston	Peter Hiam	Commissioner of Insurance
Michigan, Lansing	Herman W. Coleman	Insurance Commissioner
Minnesota, St. Paul	Michael A. Hatch	Commissioner of Insurance
Mississippi, Jackson	George Dale	Commissioner of Insurance
Missouri, Jefferson City	Louis R. Crist	Director of Insurance
Montana, Helena	Andrea "Andy" Bennett	Commissioner of Insurance
Nebraska, Lincoln	Michael J. Dugan	Director of Insurance
Nevada, Carson City	David A. Gates	Commissioner of Insurance
New Hampshire, Concord	Louis E. Bergeron	Insurance Commissioner
New Jersey, Trenton	Kenneth D. Merin	Commissioner of Insurance
New Mexico, Santa Fe	Vicente B. Jasso	Superintendent of Insurance
New York, New York	James P. Corcoran	Superintendent of Insurance
North Carolina, Raleigh	James E. Long	Commissioner of Insurance
North Dakota, Bismarck	Earl R. Pomeroy	Commissioner of Insurance
Ohio, Columbus	George Fabe	Director of Insurance
Oklahoma, Oklahoma City	Gerald Grimes	Insurance Commissioner
Oregon, Salem	Josephine M. Driscoll	Commissioner of Insurance
Pennsylvania, Harrisburg	George T. Grode	Commissioner of Insurance
Rhode Island, Providence	Mark A. Pfeiffer	Insurance Commissioner
South Carolina, Columbia	John G. Richards	Chief Insurance Commissioner
South Dakota, Pierre	Susan L. Walker	Director of Insurance
Tennessee, Nashville	William H. Inman	Commissioner of Insurance
Texas, Austin	Doyce R. Lee	Commissioner of Insurance
Utah, Salt Lake City	Harold C. Yancey	Commissioner of Insurance
Vermont, Montpelier	Thomas P. Menson	Commissioner of Bnk. & Ins.
Virginia, Richmond	James M. Thomson	Commissioner of Insurance
Washington, Olympia	Dick Marquardt	Insurance Commissioner
West Virginia, Charleston	Fred E. Wright	Insurance Commissioner
Wisconsin, Madison	Thomas P. Fox	Commissioner of Insurance
Wyoming, Cheyenne	Gordon W. Taylor	Insurance Commissioner

MORTALITY TABLES

Age	Commissioners 1980 Standard Ordinary (1970-1975)				1983 Individual Annuity Table (1971-1976)*				United States Population (1979-1981)	
	Male		Female		Male		Female			
	Deaths Per 1,000	Expectation of Life (Years)	Deaths Per 1,000	Expectation of Life (Years)	Deaths Per 1,000	Expectation of Life (Years)	Deaths Per 1,000	Expectation of Life (Years)	Deaths Per 1,000	Expectation of Life (Years)
0	4.18	70.83	2.89	75.83	—	—	—	—	12.60	73.88
1	1.07	70.13	.87	75.04	—	—	—	—	.93	73.82
2	.99	69.20	.81	74.11	—	—	—	—	.65	72.89
3	.98	68.27	.79	73.17	—	—	—	—	.50	71.93
4	.95	67.34	.77	72.23	—	—	—	—	.40	70.97
5	.90	66.40	.76	71.28	.38	74.10	.19	79.36	.37	70.00
6	.86	65.46	.73	70.34	.35	73.12	.16	78.37	.33	69.02
7	.80	64.52	.72	69.39	.33	72.15	.13	77.39	.30	68.05
8	.76	63.57	.70	68.44	.35	71.17	.13	76.40	.27	67.07
9	.74	62.62	.69	67.48	.37	70.20	.14	75.41	.23	66.08
10	.73	61.66	.68	66.53	.38	69.22	.14	74.42	.20	65.10
11	.77	60.71	.69	65.58	.39	68.25	.15	73.43	.19	64.11
12	.85	59.75	.72	64.62	.41	67.28	.16	72.44	.25	63.12
13	.99	58.80	.75	63.67	.42	66.30	.17	71.45	.37	62.14
14	1.15	57.86	.80	62.71	.43	65.33	.18	70.46	.53	61.16
15	1.33	56.93	.85	61.76	.44	64.36	.19	69.47	.69	60.19
16	1.51	56.00	.90	60.82	.45	63.39	.20	68.49	.83	59.24
17	1.67	55.09	.95	59.87	.46	62.42	.21	67.50	.95	58.28
18	1.78	54.18	.98	58.93	.47	61.44	.23	66.51	1.05	57.34
19	1.86	53.27	1.02	57.98	.49	60.47	.24	65.53	1.12	56.40
20	1.90	52.37	1.05	57.04	.51	59.50	.26	64.55	1.20	55.46
21	1.91	51.47	1.07	56.10	.53	58.53	.28	63.56	1.27	54.53
22	1.89	50.57	1.09	55.16	.55	57.56	.29	62.58	1.32	53.60
23	1.86	49.66	1.11	54.22	.57	56.59	.31	61.60	1.34	52.67
24	1.82	48.75	1.14	53.28	.60	55.63	.33	60.62	1.33	51.74
25	1.77	47.84	1.16	52.34	.62	54.66	.35	59.64	1.32	50.81
26	1.73	46.93	1.19	51.40	.65	53.69	.37	58.66	1.31	49.87
27	1.71	46.01	1.22	50.46	.68	52.73	.39	57.68	1.30	48.94
28	1.70	45.09	1.26	49.52	.70	51.76	.41	56.70	1.30	48.00
29	1.71	44.16	1.30	48.59	.73	50.80	.42	55.72	1.31	47.06
30	1.73	43.24	1.35	47.65	.76	49.83	.44	54.75	1.33	46.12
31	1.78	42.31	1.40	46.71	.79	48.87	.46	53.77	1.34	45.18
32	1.83	41.38	1.45	45.78	.81	47.91	.48	52.80	1.37	44.24
33	1.91	40.46	1.50	44.84	.84	46.95	.50	51.82	1.42	43.30
34	2.00	39.54	1.58	43.91	.88	45.99	.52	50.85	1.50	42.36
35	2.11	38.61	1.65	42.98	.92	45.03	.55	49.87	1.59	41.43
36	2.24	37.69	1.76	42.05	.97	44.07	.57	48.90	1.70	40.49
37	2.40	36.78	1.89	41.12	1.03	43.11	.61	47.93	1.83	39.56
38	2.58	35.87	2.04	40.20	1.11	42.15	.65	46.96	1.97	38.63
39	2.79	34.96	2.22	39.28	1.22	41.20	.69	45.99	2.13	37.71
40	3.02	34.05	2.42	38.36	1.34	40.25	.74	45.02	2.32	36.79
41	3.29	33.16	2.64	37.46	1.49	39.30	.80	44.05	2.54	35.87
42	3.56	32.26	2.87	36.55	1.67	38.36	.87	43.09	2.79	34.96
43	3.87	31.38	3.09	35.66	1.89	37.43	.94	42.12	3.06	34.06
44	4.19	30.50	3.32	34.77	2.13	36.50	1.03	41.16	3.35	33.16
45	4.55	29.62	3.56	33.88	2.40	35.57	1.12	40.20	3.66	32.27
46	4.92	28.76	3.80	33.00	2.69	34.66	1.23	39.25	4.01	31.39
47	5.32	27.90	4.05	32.12	3.01	33.75	1.36	38.30	4.42	30.51
48	5.74	27.04	4.33	31.25	3.34	32.85	1.50	37.35	4.88	29.65
49	6.21	26.20	4.63	30.39	3.69	31.96	1.66	36.40	5.38	28.79
50	6.71	25.36	4.96	29.53	4.06	31.07	1.83	35.46	5.89	27.94
51	7.30	24.52	5.31	28.67	4.43	30.20	2.02	34.53	6.42	27.10
52	7.96	23.70	5.70	27.82	4.81	29.33	2.22	33.59	6.99	26.28
53	8.71	22.89	6.15	26.98	5.20	28.47	2.43	32.67	7.61	25.46
54	9.56	22.08	6.61	26.14	5.59	27.62	2.65	31.75	8.30	24.65
55	10.47	21.29	7.09	25.31	5.99	26.77	2.89	30.83	9.02	23.85
56	11.46	20.51	7.57	24.49	6.41	25.93	3.15	29.92	9.78	23.06
57	12.49	19.74	8.03	23.67	6.84	25.09	3.43	29.01	10.59	22.29
58	13.59	18.99	8.47	22.86	7.29	24.26	3.74	28.11	11.51	21.52
59	14.77	18.24	8.94	22.05	7.78	23.44	4.08	27.21	12.54	20.76

Age	Commissioners 1980 Standard Ordinary (1970-1975)				1983 Individual Annuity Table (1971-1976)*				United States Population (1979-1981)	
	Male		Female		Male		Female			
	Deaths Per 1,000	Expectation of Life (Years)	Deaths Per 1,000	Expectation of Life (Years)	Deaths Per 1,000	Expectation of Life (Years)	Deaths Per 1,000	Expectation of Life (Years)	Deaths Per 1,000	Expectation of Life (Years)
60	16.08	17.51	9.47	21.25	8.34	22.62	4.47	26.32	13.68	20.02
61	17.54	16.79	10.13	20.44	8.98	21.80	4.91	25.44	14.93	19.29
62	19.19	16.08	10.96	19.65	9.74	20.99	5.41	24.56	16.28	18.58
63	21.06	15.38	12.02	18.86	10.63	20.20	5.99	23.69	17.67	17.88
64	23.14	14.70	13.25	18.08	11.66	19.41	6.63	22.83	19.11	17.19
65	25.42	14.04	14.59	17.32	12.85	18.63	7.34	21.98	20.59	16.51
66	27.85	13.39	16.00	16.57	14.20	17.87	8.09	21.14	22.16	15.85
67	30.44	12.76	17.43	15.83	15.72	17.12	8.89	20.31	23.89	15.20
68	33.19	12.14	18.84	15.10	17.41	16.38	9.73	19.49	25.85	14.56
69	36.17	11.54	20.36	14.38	19.30	15.66	10.65	18.67	28.06	13.93
70	39.51	10.96	22.11	13.67	21.37	14.96	11.70	17.87	30.52	13.32
71	43.30	10.39	24.23	12.97	23.65	14.28	12.91	17.07	33.15	12.72
72	47.65	9.84	26.87	12.28	26.13	13.61	14.32	16.29	35.93	12.14
73	52.64	9.30	30.11	11.60	28.84	12.96	15.98	15.52	38.82	11.58
74	58.19	8.79	33.93	10.95	31.79	12.33	17.91	14.76	41.84	11.02
75	64.19	8.31	38.24	10.32	35.05	11.72	20.13	14.02	45.07	10.48
76	70.53	7.84	42.97	9.71	38.63	11.13	22.65	13.30	48.67	9.95
77	77.12	7.40	48.04	9.12	42.59	10.56	25.51	12.60	52.74	9.44
78	83.90	6.97	53.45	8.55	46.95	10.00	28.72	11.91	57.42	8.93
79	91.05	6.57	59.35	8.01	51.76	9.47	32.33	11.25	62.77	8.45
80	98.84	6.18	65.99	7.48	57.03	8.96	36.40	10.61	68.82	7.98
81	107.48	5.80	73.60	6.98	62.79	8.47	40.98	9.99	75.52	7.53
82	117.25	5.44	82.40	6.49	69.08	8.01	46.12	9.40	82.78	7.11
83	128.26	5.09	92.53	6.03	75.91	7.57	51.89	8.83	90.41	6.70
84	140.25	4.77	103.81	5.59	83.23	7.15	58.34	8.28	98.42	6.32
85	152.95	4.46	116.10	5.18	90.99	6.75	65.52	7.77	107.25	5.96
86	166.09	4.18	129.29	4.80	99.12	6.37	73.49	7.28	117.12	5.61
87	179.55	3.91	143.32	4.43	107.58	6.02	82.32	6.81	127.17	5.29
88	193.27	3.66	158.18	4.09	116.32	5.69	92.02	6.38	137.08	4.99
89	207.29	3.41	173.94	3.77	125.39	5.37	102.49	5.98	147.28	4.70
90	221.77	3.18	190.75	3.45	134.89	5.07	113.61	5.60	158.68	4.43
91	236.98	2.94	208.87	3.15	144.87	4.78	125.23	5.26	171.69	4.17
92	253.45	2.70	228.81	2.85	155.43	4.50	137.22	4.94	185.70	3.93
93	272.11	2.44	251.51	2.55	166.63	4.24	149.46	4.64	200.23	3.71
94	295.90	2.17	279.31	2.24	178.54	3.99	161.83	4.37	214.95	3.51
95	329.96	1.87	317.32	1.91	191.21	3.75	174.23	4.12	229.76	3.34
96	384.55	1.54	375.74	1.56	204.72	3.51	186.54	3.88	243.38	3.19
97	480.20	1.20	474.97	1.21	219.12	3.29	198.65	3.65	256.37	3.05
98	657.98	.84	655.85	.84	234.74	3.07	211.10	3.44	268.68	2.93
99	1,000.00	.50	1,000.00	.50	251.89	2.86	224.45	3.22	280.30	2.82
100					270.91	2.66	239.22	3.01	291.20	2.73
101					292.11	2.46	255.95	2.80	301.99	2.64
102					315.83	2.26	275.20	2.59	310.89	2.57
103					342.38	2.08	297.50	2.38	319.70	2.50
104					372.09	1.90	323.39	2.18	327.86	2.44
105					405.28	1.73	353.41	1.98	335.39	2.38
106					442.28	1.57	388.11	1.79	342.33	2.33
107					483.41	1.41	428.02	1.60	348.70	2.29
108					528.99	1.27	473.69	1.43	354.53	2.24
109					579.35	1.13	525.66	1.26	359.88	2.20
110					634.81	1.01	584.46	1.11		
111					695.70	.89	650.65	.97		
112					762.34	.78	724.75	.83		
113					835.06	.70	807.32	.71		
114					914.17	.67	898.89	.60		
115					1,000.00	.50	1,000.00	.50		

Note: Mortality rates contained in the 1980 Commissioners Standard Ordinary Table were obtained from experience of 1970-1975, but contain an added element designed to generate life insurance reserves of a conservative nature in keeping with the long-term guarantees inherent in life insurance contracts. Premiums for life insurance policies, on the other hand, are based on assumptions that include expected mortality experience.

Mortality rates for the 1983 Individual Annuity Tables are, again, conservative as related to the actual and projected experience upon which they are based.

*Projected to 1983.

HISTORIC DATES

1759 The first life insurance company in the United States, "The Corporation for Relief of Poor and Distressed Presbyterian Ministers and of the Poor and Distressed Widows and Children of Presbyterian Ministers," was established in Philadelphia by the Synod of the Presbyterian Church. This company, now Presbyterian Ministers' Fund, is the oldest life insurance company in continued existence in the world.

1789 Professor Edward Wigglesworth of Harvard prepared a modified table of mortality based on Massachusetts experience, the first computation of premiums and reserves on a scientific basis in the U.S.

1794 The Insurance Company of North America was chartered as the first general insurance company to sell life insurance in America. In five years only six policies were issued and the company discontinued its life insurance business in 1804.

1812 Pennsylvania Company for Insurance on Lives and Granting Annuities was incorporated, the first corporation organized in America for the sole purpose of issuing life insurance policies and annuities. The first policy was issued in 1813. It discontinued issuing life policies in 1872.

1830 New York Life Insurance and Trust Company was started; notable as the first American life company to employ agents. This company later discontinued its life insurance business and was subsequently merged with the Bank of New York.

1835 A charter was granted New England Mutual Life Insurance Company of Boston, the first mutual company to be chartered in America. It did not actually begin business until December 1843.

1836 The Girard Life Insurance, Annuity and Trust Company of Philadelphia was established upon a new principle of granting policyholders participation in profits, although it was a stock company. The first policy dividends were allotted in 1844 as additions of insurance to policies in force three or more years. This company later became a trust company only.

1840 The legislature of New York State enacted a law that provided that the proceeds of a policy made out to a widow as beneficiary would be paid to her and were exempt from claims of creditors. This strengthened immeasurably the protective power of a life insurance policy.

1842 The Mutual Life Insurance Company of New York was chartered. The first policy was issued February 1, 1843, marking the beginning of mutual life insurance as it is known today.

1848 First policy loans were granted about this time.

1849 New York State passed the first general insurance law.

1851 New Hampshire established the first regulatory body to examine the affairs of insurance companies.

1853 Policy valuation tables, which had been worked on by Elizur Wright for nine years, were published.

1859 New York State established the first insurance department.

1861 Massachusetts was the first state to require nonforfeiture values as part of life policies.

1861 First war risk insurance written by life companies during Civil War.

1864 The Manhattan Life Insurance Company was the first American company to write an incontestable clause into a policy.

1868 American Experience Table of Mortality published as a part of New York law. Covering experience from 1843 to 1858, it remained the table most widely used by American companies until the 1940s.

1869 U.S. Supreme Court held insurance not to be a transaction in commerce, and affirmed the validity of state regulation of insurance.

1869 Earliest organization of life insurance agents was recorded in Chicago.

1871 First convention of State Insurance Commissioners was held in New York City.

1873 First weekly premium policy was issued in the United States.

1875 Industrial insurance agency system was introduced in the United States.

1880 Cash surrender values were first established by law in Massachusetts.

1905 Armstrong investigation of life insurance was made by New York State Legislature, which resulted in many changes in insurance laws.

1909 Standard provisions for life insurance policies were adopted in New York State.

1911 First group life insurance for employees was introduced.

1917 Life insurance for servicemen of World War I was offered by the government under War Risk Insurance Act; subsequently known as U.S. Government Life Insurance.

1918 American Men Ultimate Mortality Table was published, which covered experience from 1900 to 1915.

1928 First examinations were held for Chartered Life Underwriters, which resulted in awards of CLU designations to qualified life insurance personnel.

1935 Social Security Act was enacted. It was subsequently amended at various times to include benefits for survivors and dependents and for disabled workers and their dependents, to extend coverage as to employments covered, to lower minimum retirement age, to raise benefit levels, to revise contribution schedules, to increase earnings base, and, in 1965, to establish Medicare, a broad program of health insurance for people aged 65 or older.

1938 The 1937 Standard Annuity Mortality Table was published. It was based primarily on experience from 1932 to 1936.

1939 Temporary National Economic Committee began an investigation of the life insurance business.

1940 National Service Life Insurance Act, providing insurance for men and women in service in World War II, was adopted by Congress.

1941 Commissioners 1941 Standard Ordinary Table of Mortality, based on experience from 1930 to 1940, was published.

1944 U.S. Supreme Court held insurance to be commerce, and that when conducted across state lines, it is interstate commerce and therefore subject to Federal laws.

1945 McCarran-Ferguson Act declared that the regulation of insurance by the states is in the public interest and granted an exemption from the antitrust laws to the extent the business is regulated by state law.

1948 Legislation permitting "Standard Nonforfeiture and Valuation" methods of computation was effected in nearly all states.

1952 College Retirement Equities Fund (CREF) was established as the first variable annuity fund. In 1954, the Participating Annuity Life Insurance Company offered the first variable annuity contracts to the general public.

1954 Federal Employees' Group Life Insurance Act introduced, providing group life insurance and accidental death and dismemberment insurance to civilian officers and employees of the United States government through private insurance companies.

1958 Commissioners 1958 Standard Ordinary Table of Mortality, based on experience from 1950 to 1954, was published.

1959 Arkansas was the first state to pass laws permitting life insurance companies to issue variable annuities and authorizing the establishment of separate accounts.

1965 Servicemen's Group Life Insurance Act was introduced, providing members on active duty in the uniformed services with group life insurance underwritten by private insurers through a contract with the Veterans Administration.

1974 Employee Retirement Income Security Act of 1974 was signed into law. The primary purposes were to protect the benefits of participants in private plans, to assure reasonable vesting provisions, and to broaden the opportunity to set up plans for the self-employed and workers who have no private retirement plans.

1976 First individual variable life insurance policy was issued in the United States.

1977 Social Security Act was amended to increase wage base and tax rates in steps beginning in 1978 and to revise the benefit structure.

1977 The first "universal" life insurance policy was issued in the United States.

1980 The Commissioners 1980 Standard Ordinary Table of Mortality, based on experience from 1970 to 1975, was adopted by the National Association of Insurance Commissioners.

1981 Economic Recovery Tax Act of 1981 was signed into law. Among the provisions of the law are sections that allow all workers to claim tax deductions, within limits, for retirement savings, liberalize tax deductions for retirement savings, interest and dividend exclusions, and reduce or eliminate estate and gift taxes for most persons.

1982 Tax Equity and Fiscal Responsibility Act revised the life insurance company taxation formula (certain provisions only for the 1982 and 1983 tax years) and repealed the use of modified coinsurance in tax calculations; imposed a penalty tax on certain annuity withdrawals; placed limitations on pension plan benefits and imposed additional restrictions on certain plans.

1982 The 1983 Individual Annuity Table A was adopted by the National Association of Insurance Commissioners.

1983 The Supreme Court decided in Norris vs. Arizona that employee retirement benefits based on contributions made after August 1, 1983, must be calculated without regard to the sex of the employee.

1984 The Retirement Equity Act of 1984 lowered the minimum age for vesting and participation purposes, required the written consent of the spouse before joint and survivor coverage may be waived under pension plans and required the payment of a survivor annuity in case of a vested participant who dies before the annuity starting date.

1984 The Tax Reform Act of 1984 significantly changed the basis upon which life insurance companies are taxed and included universal life insurance within the definition of life insurance thus preserving its favorable tax treatment.

1985 Montana became the first state to enact legislation forbidding discrimination by sex in the setting of premium rates for all types of insurance, effective October 1, 1985.

LIFE INSURANCE ORGANIZATIONS
As of October 1, 1986
COMPANY ASSOCIATIONS

American Council of Life Insurance: Before March 1, 1987, 1850 K Street, N.W., Washington, D.C. 20006; Telephone: 202-862-4000; After March 1, 1987, 1001 Pennsylvania Avenue, N.W., Washington, D.C. 20004; Chairman of the Board, John E. Pearson; President, Richard S. Schweiker. Represents the life insurance business in legislative and regulatory areas at the federal, state and local levels of government. Provides the public with information about the purpose and uses of life insurance, maintains research facilities to record the performance of the business and measures attitudes of the public on issues relevant to the business.

Consumer Credit Insurance Association: 307 North Michigan Avenue, Chicago, Illinois 60601; Telephone: 312-726-9895; Chairman of the Board, Joseph R. Sullivan; President, H. Norris Robinson; Vice President, C. Robert Barton. Serves as the official trade organization for insurers that underwrite consumer credit insurance in the areas of life, accident and health, and property insurance.

Life Insurance Marketing and Research Association: P.O. Box 208, Hartford, Connecticut 06141; Telephone: 203-677-0033; Chairman of the Board, J. Pierre Maurer; President, Ernest E. Cragg, CLU, FLMI. Works to improve the efficiency of life insurance distribution through scientific management methods, principal source of industry sales and marketing statistics, conducts research, provides management educational services, consulting services, and prepares a wide range of publications. Comprised of 300 members in 52 countries.

Life Insurers Conference: 1004 North Thompson Street, Richmond, Virginia 23230; Telephone: 804-359-5006; Chairman, Wilford C. Lyon, Jr.; President, G. Mason Connell, Jr. Comprised of life insurance companies engaged to a large extent in the sale of home service life insurance.

Life Office Management Association: 5770 Powers Ferry Road, Atlanta, Georgia 30327; Telephone: 404-951-1770; Chairman of the Board, Irving R. Burling, FSA; President, Lynn G. Merritt. An international association founded in 1924, LOMA is dedicated to promoting management excellence in leading life and health insurance companies and other financial institutions through education, training, research and information sharing.

National Association of Life Companies: 1455 Pennsylvania Avenue, N.W.—Suite 1250, Washington, D.C. 20004; Telephone: 202-783-6252. Chairman of the Board, George Manser; Executive Vice President, S. Roy Woodall, Jr.; Vice President-State Coordinator, Jon C. Ogg. Consists primarily of small- and medium-sized life and health insurance companies.

National Insurance Association: 2400 South Michigan Avenue, Chicago, Illinois 60616; Telephone: 312-842-5125; President, Joseph H. Miller, Jr.; Executive Director, Clarice M. Hal. Represents companies that principally serve the life insurance needs of black families.

PROFESSIONAL ASSOCIATIONS

American Academy of Actuaries: 1720 I Street, N.W., Washington, D.C. 20006; 500 Park Blvd., Itasca, Illinois 60143; Telephone: 202-223-8196, Washington, D.C.; 312-773-4202, Itasca. President, Preston C. Bassett; Secretary, Robert H. Dobson; Executive Director, Stephen G. Kellison. An organization of qualified actuaries, the Academy's primary activities include liaison with federal and state governments, relations with other professions, public information dissemination, and the development of standards of professional conduct and practice. Membership consists largely of members of the Casualty Actuarial Society, Conference of Actuaries in Public Practice, Society of Actuaries and enrolled actuaries under ERISA. Membership criteria include satisfaction of experience and education standards.

American Risk and Insurance Association: Department of Finance, College of Business, University of Central Florida, Orlando, Florida 32816; Telephone: 305-275-2525; President, Dr. David Cummins, University of Pennsylvania; Executive Director, Dr. David Klock. A society of insurance educators and others interested in risk and insurance education and research.

American Society of Chartered Life Underwriters: 270 Bryn Mawr Avenue, Bryn Mawr, Pennsylvania 19010; Telephone: 215-896-4300; President, Stanley Liss, CLU; Executive Vice President and Managing Director, John R. Driskill, CLU, ChFC. An organization of individuals who have earned a professional designation in the field of financial planning and economic security. Its membership is organized into local chapters and comprises agents, company chief executives, insurance regulators, educators, attorneys, CPAs and bank trust officers.

American Society of Pension Actuaries: 2029 K Street, N.W., Fourth Floor, Washington, D.C. 20005; Telephone: 202-659-3620; President, Edward E. Burrows; Executive Director, Chester J. Salkind. A professional society dedicated to the advancement of the profession of the pension actuary and consultant. Offers an examination program for actuaries and consultants and represents the interests of its members before appropriate forums.

The Association of Life Insurance Counsel: President, C. Bowman Strome, Jr.; Secretary-Treasurer, Marianne Dowling, Mutual Life Insurance Company of New York, 1740 Broadway, New York, New York 10019; Telephone 212-708-2220. An organization of life insurance counsels. Seeks to increase knowledge of areas of law affecting life insurance companies.

The Association of Life Insurance Medical Directors of America: One Tower Square, Hartford, Connecticut 06183; Telephone: 203-277-0111. President, Reginald D. Atkinson, M.D.; Secretary, Joseph R. Jurkoic, M.D. Medical directors of life insurance companies. Encourages the advancement of the science of medicine as applied to insurance.

Conference of Actuaries in Public Practice: 500 Park Boulevard, Itasca, Illinois 60143; Telephone: 312-773-8140; President, Jack M. Turnquist; Secretary, David L. Hewitt. Membership composed of consulting actuaries and government actuaries.

Home Office Life Underwriters Association: President, Owen C. Leslie; Secretary, Rowland Ricketts, Jr., General American Life Insurance Company, P.O. Box 14490, St. Louis, Missouri 63178; Telephone: 314-525-5747. An organization of home office underwriters of legal reserve life insurance companies. Offers an education program through the Academy of Life Underwriting designed specifically for professional home office life underwriters.

Institute of Home Office Underwriters: President, John L. Butterworth; Secretary-Treasurer, James R. Fagan, Commonwealth Life Insurance Company, 680 Fourth Avenue, P.O. Box 32800, Louisville, Kentucky 40232-2800; Telephone: 502-560-3712. An organization of home office underwriters. Aims to increase the knowledge of underwriting principles through discussions, surveys, and presentation of papers, and through the education program of the Academy of Life Underwriting.

Insurance Accounting and Systems Association, Inc.: P.O. Box 8857, Durham, North Carolina 27707; Telephone: 919-683-2356; President, Arthur J. LaBerge; Secretary-Treasurer, Elaine S. Powell. An international organization to promote the study, research and development of modern techniques in insurance accounting, systems and statistics.

International Claim Association: President, James R. Linebaugh; Secretary, C. Ernest Beane, Modern Woodmen of America, 1701 First Avenue, Rock Island, Illinois 61201; Telephone: 309-786-6481. Comprised of officers and employees of life and health insurance companies who handle the claims function for those companies.

Life Communicators Association: 900 Des Moines Street, Suite 200, Des Moines, Iowa 50316; Telephone: 515-266-2189; President, Gilbert E. Carlyle; Secretary, Nonnie Stowe. An organization of professionals engaged in life insurance advertising, sales promotion, public and policyholder relations and company communications. Conducts annual meetings, seminars and workshops, distributes case histories describing specific activities of member companies and makes awards for outstanding materials.

The Life Underwriter Training Council: 1922 F Street, N.W., Washington, D.C. 20006; Telephone: 202-393-5240; Chairman of the Board, Joseph J. Melone, CLU, CPCU, ChFC; President, William A. Klauber, CLU. An organization which provides sales training in life and health insurance, financial services and multiline skills for life underwriters. Students are agents taking part in sales training courses and seminars sponsored by local life underwriter associations. Successful completion of courses leads to the professional designation, LUTC Fellow (LUTCF), granted by LUTC and The National Association of Life Underwriters.

Million Dollar Round Table: 2340 River Road, Des Plaines, Illinois 60018; Telephone: 312-298-1120; President, Wilmer S. Poynor, III, CLU; Executive Vice President, Roderick L. Geer, CLU. Composed of life insurance agents who consistently sell the amount of life insurance predetermined annually and maintain membership in the National Association of Life Underwriters.

National Association of Life Underwriters: 1922 F Street, N.W., Washington, D.C. 20006; Telephone: 202-331-6000; President, David F. Woods, CLU, ChFC: Executive Vice President, Jack E. Bobo, CLU, FLMI. A federation of state and local associations

representing sales professionals in life and health insurance and other financial services. NALU promotes high ethical standards; supports legislation in the interest of policyholders and agents; participates in community service; and provides agent education seminars and sales congresses.

Society of Actuaries: 500 Park Boulevard, Itasca, Illinois 60143; Telephone: 312-773-3010; President, Harold G. Ingraham, Jr.; Executive Director, John E. O'Connor, Jr. Organization of individuals trained to apply mathematical probabilities to insurance and pension program design. The Society specifically identifies, educates and qualifies individuals to become members; provides continuing education and professional development programs; promotes and publishes actuarial research; and maintains and enforces a professional conduct code for its members. Society membership is based upon successful completion of a rigorous set of examinations leading to the designation of Fellow or Associate in the Society.

OTHER ORGANIZATIONS

The American College: 270 Bryn Mawr Avenue, Bryn Mawr, Pennsylvania 19010; Telephone: 215-896-4500; Chairman of the Board, John B. Carter, CLU; President, Edward G. Jordan. Provides educational programs through the S.S. Huebner School. Offers studies leading to the award of the Chartered Life Underwriter and Chartered Financial Consultant diplomas and professional designations, fosters continued educational growth through its School of Advanced Career Studies, grants the degree of Master of Science in Financial Services through the Graduate School of Financial Sciences, and the Master of Science in Management through the Richard D. Irwin Graduate School of Management. Accredited by the Commission on Higher Education of the Middle States Association of Colleges and Schools.

S.S. Huebner Foundation for Insurance Education: Suite 1400, SHDH, University of Pennsylvania, Philadelphia, Pennsylvania 19104-6302; Telephone: 215-898-7621; Chairman of the Board of Trustees, Ian M. Rolland; Chairman of the Administrative Board and Executive Director, Dr. Dan M. McGill. Makes fellowship grants for doctoral study and publishes research studies in the field of insurance.

Medical Information Bureau: P.O. Box 801, Boston, Massachusetts 02103; Telephone: 617-329-4500; Chairman of the Board, Warren L. Kleinsasser, M.D., CLU, FLMI; President, Neil M. Day. A nonprofit association of almost 800 member life insurance companies founded by medical directors providing a central information exchange. With the applicant's written consent, statements about health or risk activities can be checked with the Medical Information Bureau to alert insurers to inaccuracies, omissions and willful attempts at fraud.

National Association of Insurance Commissioners: 1125 Grand, Kansas City, Missouri 64106; Telephone: 816-842-3600; President, Honorable Josephine Driscoll; Executive Vice President Karl Koch. An organization of state officials supervising insurance, which promotes uniformity of legislation and regulation affecting insurance.

National Fraternal Congress of America: 1300 Iroquois Drive, Suite 260, Naperville, Illinois 60540; Telephone: 312-355-6633. President, Louis Engelke; Executive Vice President, Raymond A. Klee; Secretary-Treasurer, Jonni L. Dempsey. A federation of fraternal benefit societies writing life, accident and health insurance.

GLOSSARY

A

Accidental death benefit. A benefit in addition to the face amount of a life insurance policy, payable if the insured dies as the result of an accident. Sometimes referred to as "double indemnity."

Actuary. A person professionally trained in the technical aspects of insurance and related fields, particularly in the mathematics of insurance—such as the calculation of premiums, reserves and other values.

Adjustable life insurance. A type of insurance that allows the policyholder to change the plan of insurance, raise or lower the face amount of the policy, increase or decrease the premium and lengthen or shorten the protection period.

Agent. A sales and service representative of an insurance company. Life insurance agents may also be called life underwriters or field underwriters.

Annuitant. The person during whose life an annuity is payable, usually the person to receive the annuity.

Annuity. A contract that provides a periodic income at regular intervals for a specified period of time, such as for a number of years or for life.

Annuity certain. A contract that provides an income for a specified number of years, regardless of life or death.

Annuity consideration. The payment, or one of the regular periodic payments, an annuitant makes for an annuity.

Application. A statement of information made by a person applying for life insurance. It helps the life insurance company assess the acceptability of risk.

Assignment. The legal transfer of one person's interest in an insurance policy to another person.

B

Beneficiary. The person named in the policy to receive the insurance proceeds at the death of the insured.

Broker. A sales and service representative who handles insurance for clients, generally selling insurance of various kinds and for several companies.

Business life insurance. Life insurance purchased by a business enterprise on the life of a member of the firm. It is often bought by partnerships to protect the surviving partners against loss caused by the death of a partner, or by a corporation to reimburse it for loss caused by the death of a key employee.

C

Cash surrender value. The amount available in cash upon voluntary termination of a policy by its owner before it becomes payable by death or maturity.

Certificate. A statement issued to individuals insured under a group policy, setting forth the essential provisions relating to their coverage.

Claim. Notification to an insurance company that payment of an amount is due under the terms of a policy.

Convertible term insurance. Term insurance which can be exchanged, at the option of the policyholder and without evidence of insurability, for another plan of insurance.
Credit life insurance. Term life insurance issued through a lender or lending agency to cover payment of a loan, installment purchase, or other obligation, in case of death.

D

Declination. The rejection by a life insurance company of an application for life insurance, usually for reasons of the health or occupation of the applicant.

Deferred annuity. An annuity providing for the income payments to begin at some future date.

Deferred group annuity. A type of group annuity providing for the purchase each year of a paid-up deferred annuity for each member of the group, the total amount received by the member at retirement being the sum of these deferred annuities.

Deposit administration group annuity. A type of group annuity providing for the accumulation of contributions in an undivided fund out of which annuities are purchased as the individual members of the group retire.

Deposit term insurance. A form of term insurance, not really involving a "deposit," in which the first-year premium is larger than subsequent premiums. Typically, a partial endowment is paid at the end of the term period. In many cases the partial endowment can be applied toward the purchase of a new term policy or, perhaps, a whole life policy.

Disability benefit. A feature added to some life insurance policies providing for waiver of premium, and sometimes payment of monthly income, if the policyholder becomes totally and permanently disabled.

Dividend. A return of part of the premium on participating insurance to reflect the difference between the premium charged and the combination of actual mortality, expense and investment experience. Such premiums are calculated to provide some margin over the anticipated cost of the insurance protection.

Dividend addition. An amount of paid-up insurance purchased with a policy dividend and added to the face amount of the policy.

E

Endowment. Life insurance payable to the policyholder if living, on the maturity date stated in the policy, or to a beneficiary if the insured dies prior to that date.

Expectation of life. The average number of years of life remaining for a group of persons of a given age according to a particular mortality table.

Extended term insurance. A form of insurance available as a nonforfeiture option. It provides the original amount of insurance for a limited period of time.

F

Face amount. The amount stated on the face of the policy that will be paid in case of death or at the maturity of the policy. It does not include additional amounts payable under accidental death or other special provisions, or acquired through the application of policy dividends.

Family income policy. A life insurance policy, combining whole life and decreasing term insurance. The beneficiary receives income payments to the end of a specified period if the insured dies prior to the end of the period plus the face amount of the policy — either at the end of the period or at the death of the insured.

Family policy. A life insurance policy providing insurance on all or several family members in one contract, generally whole life insurance on the principal breadwinner and smaller amounts of term insurance on the other spouse and children, including those born after the policy is issued.

Flexible premium policy or annuity. A life insurance policy or annuity under which the policyholder or contractholder may vary the amounts or timing of premium payments.

Flexible premium variable life insurance. A life insurance policy that combines the premium flexibility feature of universal life insurance with the equity-based benefit feature of variable life insurance.

Fraternal life insurance. Life insurance provided by fraternal orders or societies to their members.

G

Geographic divisions (in the United States)

NORTHEAST

New England: Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont

Middle Atlantic: New Jersey, New York, Pennsylvania

MIDWEST

East North Central: Illinois, Indiana, Michigan, Ohio, Wisconsin

West North Central: Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota

SOUTH

South Atlantic: Delaware, District of Columbia, Florida, Georgia, Maryland, North Carolina, South Carolina, Virginia, West Virginia

East South Central: Alabama, Kentucky, Mississippi, Tennessee

West South Central: Arkansas, Louisiana, Oklahoma, Texas

WEST

Mountain: Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Utah, Wyoming

Pacific: Alaska, California, Hawaii, Oregon, Washington.

Grace period. A period (usually 30 or 31 days) following the premium due date, during which an overdue premium may be paid without penalty. The policy remains in force throughout this period.

Group annuity. A pension plan providing annuities at retirement to a group of people under a master contract. It is usually issued to an employer for the benefit of employees. The individual members of the group hold certificates as evidence of their annuities.

Group life insurance. Life insurance usually without medical examination, on a group of people under a master policy. It is typically issued to an employer for the benefit of employees, or to members of an association, for example a professional membership group. The individual members of the group hold certificates as evidence of their insurance.

I

Individual policy pension trust. A type of pension plan, frequently used for small groups, administered by trustees who are authorized to purchase individual level premium policies or annuity contracts for each member of the plan. The policies usually provide both life insurance and retirement benefits.

Industrial life insurance. Life insurance issued in small amounts, usually less than $1,000, with premiums payable on a weekly or monthly basis. The premiums are generally collected at the home by an agent of the company. Sometimes referred to as debit insurance.

Insurability. Acceptability to the company of an applicant for insurance.

Insurance examiner. The representative of a state insurance department assigned to participate in the official audit and examination of the affairs of an insurance company.

Insured or insured life. The person on whose life the policy is issued.

L

Lapsed policy. A policy terminated for nonpayment of premiums. The term is sometimes limited to a termination occurring before the policy has a cash or other surrender value.

Legal reserve life insurance company. A life insurance company operating under state insurance laws specifying the minimum basis for the reserves the company must maintain on its policies.

Level premium life insurance. Life insurance for which the premium remains the same from year to year. The premium is more than the actual cost of protection during the earlier years of the policy and less than the actual cost in the later years. The building of a reserve is a natural result of level premiums. The overpayments in the early years, together with the interest that is to be earned, serve to balance out the underpayments of the later years.

Life annuity. A contract that provides an income for life.

Life expectancy. The average number of years of life remaining for a group of persons of a given age according to a particular mortality table.

Life insurance in force. The sum of the face amounts, plus dividend additions, of life insurance policies outstanding at a given time. Additional amounts payable under accidental death or other special provisions are not included.

Limited payment life insurance. Whole life insurance on which premiums are payable for a specified number of years or until death if death occurs before the end of the specified period.

M

Master policy. A policy that is issued to an employer or trustee, establishing a group insurance plan for designated members of an eligible group.

Mortality table. A statistical table showing the death rate at each age, usually expressed as so many per thousand.

Mutual life insurance company. A life insurance company without stockholders whose management is directed by a board elected by the policyholders. Mutual companies, in general, issue participating insurance.

N

Nonforfeiture option. One of the choices available if the policyholder discontinues premium payments on a policy with a cash value. This, if any, may be taken in cash, as extended term insurance or as reduced paid-up insurance.

Nonmedical limit. The maximum face value of a policy that a given company will issue without the applicant taking a medical examination.

Nonparticipating policy. A life insurance policy in which the company does not distribute to policyholders any part of its surplus. Note should be taken that premiums for nonparticipating policies are usually lower than for comparable participating policies. Note should also be taken that some nonparticipating policies have both a maximum premium and a current lower premium. The current premium reflects anticipated experience that is more favorable than the company is willing to guarantee, and it may be changed from time to time for the entire block of business to which the policy belongs. (See also: *Participating policy*)

O

Ordinary life insurance. Life insurance usually issued in amounts of $1,000 or more with premiums payable on an annual, semiannual, quarterly or monthly basis.

P

Paid-up insurance. Insurance on which all required premiums have been paid. The term is frequently used to mean the reduced paid-up insurance available as a nonforfeiture option.

Participating policy. A life insurance policy under which the company agrees to distribute to policyholders the part of its surplus which its Board of Directors determines is not needed at the end of the business year. Such a distribution serves to reduce the pre-

mium the policyholder had paid. (See also: *Policy dividend; Nonparticipating policy*)

Permanent life insurance. A phrase used to cover any form of life insurance except term; generally insurance that accrues cash value, such as whole life or endowment.

Policy. The printed legal document stating the terms of the insurance contract that is issued to the policyholder by the company.

Policy dividend. A refund of part of the premium on a participating life insurance policy reflecting the difference between the premium charged and actual experience.

Policy loan. A loan made by a life insurance company from its general funds to a policyholder on the security of the cash value of a policy.

Policy reserves. The measure of the funds that a life insurance company holds specifically for fulfillment of its policy obligations. Reserves are required by law to be so calculated that, together with future premium payments and anticipated interest earnings, they will enable the company to pay all future claims.

Policyholder. The person who owns a life insurance policy. This is usually the insured person, but it may also be a relative of the insured, a partnership or a corporation.

Premium. The payment, or one of the periodic payments, a policyholder agrees to make for an insurance policy.

Premium loan. A policy loan made for the purpose of paying premiums.

R

Rated policy. Sometimes called an "extra-risk" policy, an insurance policy issued at a higher-than-standard premium rate to cover the extra risk where, for example, an insured has impaired health or a hazardous occupation.

Reduced paid-up insurance. A form of insurance available as a nonforfeiture option. It provides for continuation of the original insurance plan, but for a reduced amount.

Renewable term insurance. Term insurance which can be renewed at the end of the term, at the option of the policyholder and without evidence of insurability, for a limited number of successive terms. The rates increase at each renewal as the age of the insured increases.

Reserve. The amount required to be carried as a liability in the financial statement of an insurer, to provide for future commitments under policies outstanding.

Rider. A special policy provision or group of provisions that may be added to a policy to expand or limit the benefits otherwise payable.

Risk classification. The process by which a company decides how its premium rates for life insurance should differ according to the risk characteristics of individuals insured (e.g., age, occupation, sex, state of health) and then applies the resulting rules to individual applications. (See: *Underwriting*)

S

Separate account. An asset account established by a life insurance company separate from other funds, used primarily for pension plans and variable life products. This arrangement permits wider latitude in the choice of investments, particularly in equities.

Settlement options. The several ways, other than immediate payment in cash, which a policyholder or beneficiary may choose to have policy benefits paid. (See also: *Supplementary contracts*)

Stock life insurance company. A life insurance company owned by stockholders who elect a board to direct the company's management. Stock companies, in general, issue nonparticipating insurance, but may also issue participating insurance.

Straight life insurance. Whole life insurance on which premiums are payable for life.

Supplementary contract. An agreement between a life insurance company and a policyholder or beneficiary by which the company retains the cash sum payable under an insurance policy and makes payments in accordance with the settlement option chosen.

T

Term insurance. Life insurance payable to a beneficiary only when an insured dies within a specified period.

U

Underwriting. The process by which a life insurance company determines whether or not it can accept an application for life insurance, and if so, on what basis.

Universal life insurance. A flexible premium life insurance policy under which the policyholder may change the death benefit from time to time (with satisfactory evidence of insurability for increases) and vary the amount or timing of premium payments. Premiums (less expense charges) are credited to a policy account from which mortality charges are deducted and to which interest is credited at rates which may change from time to time.

V

Variable annuity. An annuity contract in which the amount of each periodic income payment may fluctuate. The fluctuation may be related to securities market values, a cost of living index, or some other variable factor.

Variable life insurance. Life insurance under which the benefits relate to the value of assets behind the contract at the time the benefit is paid. The amount of death benefit payable would, under variable life policies that have been proposed, never be less than the initial death benefit payable under the policy.

W

Waiver of premium. A provision that under certain conditions an insurance policy will be kept in full force by the company without further payment of premiums. It is used most often in the event of total and permanent disability.

Whole life insurance. Life insurance payable to a beneficiary at the death of the insured whenever that occurs. Premiums may be payable for a specified number of years (limited payment life) or for life (straight life).

INDEX

A

Accident and health insurance. *See* Health insurance

Accidents, 98-99

Acquisitions of investments, 75-77

Adjustable life insurance, 28, 123

Agency personnel, 95

Agent, 95, 123

American Academy of Actuaries, 119

The American College, 121

American Council of Life Insurance, 118

American Experience Mortality Table, 115 (*See* "1868")

American Men Ultimate Mortality Table, 115 (*See* "1918")

American Risk and Insurance Association, 119

American Society of Chartered Life Underwriters, 119

American Society of Pension Actuaries, 119

Annuity, 39-40, 55, 57, 123
- annual income, 39-40
- benefit payments, 5, 39-42, 47-48
- considerations, 5, 40, 57, 59-61, 123
- deferred group annuities, 55-57, 124
- deposit administration group annuities, 55-57, 124
- group, 39-40, 55-57, 60, 125
- individual, 39-40, 60
- mortality table, 112-113, 115, 117 (*See* "1938" and "1982")
- ownership, 39-40. *See also* Pension plans, with life insurance companies
- persons covered, 55-57
- ratio to disposable personal income, 61
- supplementary contracts, 39-40
- variable, 39-40, 128

Annuity Tables, Individual, 1983 Table A, 112-113, 117 (*See* "1982")

Assets, 5, 7, 71-91
- acquisitions, 74-77
- cash, 90, 91
- change in holdings, 77
- corporate securities, 5, 71-77, 80-82, 91
  - bonds, debentures and notes, 5, 71-77, 80-82, 91
    - foreign, 76-77, 80-81
    - long-term, 74-77
    - short-term, 74-77
    - United States, 74-77, 80-81
  - stocks, 5, 71-77, 80-82, 91
    - common, 71, 76-77, 80-82, 91
    - preferred, 71, 76-77, 80-82, 91
- (of) fraternal life insurance, 105
- government securities, 5, 71-79, 91
- foreign government and international agency, 76-79
  - long-term, 74-79
  - short-term, 74-79
- U.S. federal agency, 76-79
- U.S. state and local, 76-79
- U.S. Treasury, 76-79
- income from investments, 59
- miscellaneous, 5, 72, 77, 90
  - cash, 77, 90, 91
  - due and accrued investment income, 90
  - due and deferred premiums, 90
- mortgages, 5, 71-77, 83-86, 91
  - acquisitions, 74-77
  - (in) Canada, 85-86
  - dispositions, 85-86
  - farm, 79, 83-86
  - gross flow of funds, 85-86
  - nonfarm, 79, 83-86
    - conventional, 79, 83-85
    - F.H.A., 79, 83-85
    - N.H.A., 79, 83-85
    - V.A., 79, 83-85
  - (by) state, 84
- net increase in, 79
- net rate of investment income, 5, 64
- policy loans, 5, 72, 75-77, 89
- real estate, 5, 72, 75-77, 87-88, 91
  - (in) Canada, 87
  - (by) state, 88
- (of) savings bank life insurance, 105
- separate account, 57, 82, 91
- valuation, 71, 74

The Association of Life Insurance Counsel, 119

Association of Life Insurance Medical Directors of America, 102, 119

Automobile accidents, deaths, 98-99

B

Beneficiaries, relationship to insured, 43-44, 46

Benefits (payments to beneficiaries), 5, 7, 41-46
(by) age of insured at death, 46
double indemnity, 44
(by) duration of a policy when it became a claim, 46
(by) fraternal life insurance, 105
policies, number of, 44-45
(by) relationship of beneficiary to insured, 43-44, 46
(by) savings bank life insurance, 105
(by) sex of beneficiary, 46
(by) sex of insured, 46
(by) state, 42-45
supplementary contracts, 50
(by) type of insurance, 43-46
(by) veterans life insurance, 104

Benefits (payments to policyholders and annuitants), 5, 7, 41-42, 47-49
annuities, 41, 42, 47-48
disability payments, 41-42, 47-48
dividends to policyholders, 41-42, 47-48
endowments, 41-42, 47, 49
(by) state, 42
supplementary contracts, 50
surrender values, 41-42, 47, 49

Bonds. *See* Assets—corporate securities

Build and Blood Pressure Study, 103

C

Canada, 106-109
Canadian life insurance companies, 108-109
assets, 109
number, 108
life insurance in Canada, 106-109
benefits, 109
ownership, 106-108
policyholders, 108
purchases, 108

Capital, 70

Cash (assets), 77, 90, 91

Causes of death, 98-99

Certificates (group). *See* Group life insurance

Combination policies. *See* Ownership of life insurance; Purchases

Commissioners Standard Ordinary Table of Mortality (1980), 112-113, 115-116 (*See* "1941," "1958," "1980")

Commissions to agents, 65-66

Common stocks, 71, 74, 77, 81-82, 91

Conference of Actuaries in Public Practice, 119

Consumer Credit Insurance Association, 118

Conventional mortgages, 74, 83-86

Corporate securities. *See* Assets—corporate securities

Credit card holders, insurance on, 26, 32

Credit life insurance, 5, 16-23, 35, 123
(by) geographic division, 19
ownership, 5, 16-20, 24, 35
policy size (average), 21-22
premiums, 59-62
life, 59-62
health, 59-60
purchases, over ten years' duration, 10
reserves, 70
(by) state, 18

D

Death payments. *See* Benefits (payments to beneficiaries)

Death rates, 100-101, 112-113

Declination, 102-103, 123

Dental expense benefits, 51

Dependent coverage (group life insurance), 31

Deposit administration group annuity, 55-57, 124

Deposit term insurance, 124

Disability benefit, 41-43, 47, 124

Disposable personal income per family, 22

Dividend accumulations, 69-70

Dividend addition, 47, 124

Dividends to policyholders, 41-42, 47, 69-70, 124, 126
reserves, 69-70
uses of, 47

Dividends to stockholders, 65-66

Due and accrued investment income, 90

Due and deferred premiums, 90

E

Earning rate on life insurance investments, 5, 64

Economic Recovery Tax Act of 1981, 116 (*See* "1981")

Employee coverage (group life insurance), 30-32

Employment in insurance, 95

Endowment insurance, 12, 20-21, 124

Endowment payments, 41-42, 47, 49

Equity-based products. *See* Flexible premium variable life insurance, Variable annuity *and* Variable life insurance

Employee Retirement Income Security Act, 39, 55, 116 (*See* "1974")

Expectation of life (Life expectancy), 96-97, 112-113, 124

Expense ratio, 65-66

Extended term insurance, 20, 124

Extra-risk life insurance, 102-103

F

Family policy, 12, 124

Farm mortgages, 77, 83-85

Federal Employees' Group Life Insurance (FEGLI), 5, 6, 9, 10, 116 (*See* "1954")

F.H.A. mortgages, 77, 83-85

Federal income taxes, 67

Federal Social Security tax, 67

Fees, 67

Female employees, insurance business, 95

Flexible premium variable life insurance, 12, 13, 28-29, 124

Foreign countries, life insurance, 106-109

Funds, sources of, 71, 73

Fraternal life insurance, 21, 41, 105, 124

G

Government-administered pension plans, 52-54

Government life insurance (veterans), 104-105

Government securities. *See* Assets—government securities

Gross flow of mortgage loans, 85-86

Group annuity, 40, 55-58, 60, 125

Group health insurance, 51, 60

Group life insurance, 5, 8-22, 30-32, 41-46, 125
benefit payments, 41-46
certificate size (average), 22, 32
dependent coverage, 31
employee coverage, 30-32
(by) geographic division, 19
ownership, 5, 15-22, 30-32, 36-38
policy reserves, 68, 70
premium income, 60
primary coverage, employee and other, 31-32
purchases, 5, 10, 14, 31
(by) state, 18
survivor benefits, 31

H

Health insurance, 51, 59-60, 68
benefit payments, 51
dental expense, 51
hospital expense, 51
loss of income, 51
medical expense, 51
surgical expense, 51
group, 51, 60
individual, 51, 60

policy reserves, 68
premiums, 59-60

Historic dates, 114-117

Home Office Life Underwriters Association, 120

Home service life insurance, 34

Hospital expense benefits, 51

S. S. Huebner Foundation for Insurance Education, 121

I

In force, life insurance. *See* Ownership of life insurance

Income, life insurance companies, 59-64, 65

Income dollar, life insurance company, 65-66

Income tax (federal), 67

Income use of life insurance, 50

Incontestable clause, 115 (*See* "1864")

Individual annuities. *See* Annuity

Individual policy pension trust, 55, 57, 125

Individual retirement account, 39, 55, 57

Industrial life insurance, 5, 10, 14, 16-22, 33-34, 125
benefit payments, 41-46
(by) geographic division, 19
ownership, 5, 16-22, 33-35
policy reserves, 68, 70
policy size (average), 21
premium income, 60
purchases, 5, 10, 14
(by) state, 18

Institute of Home Office Underwriters, 120

Insurance Accounting and Systems Association, 120

Insurance in force. *See* Ownership of life insurance

Insurance officials (state), 111

Insurance personnel, 95

Insured pension plans. *See* Pension plans, with life insurance companies

Interest rates, 5, 64

International Claim Association, 120

Investments. *See* Assets

K

Key life insurance statistics, 5

L

Lapse ratio, 58

Lapses and surrenders, 41-42, 47-49, 58

Legal reserve life insurance company (number), 92-94

Liabilities, 69-70

Licenses, 67

Life and Health Insurance Medical Research Fund, 98

Life expectancy, 96-97, 112-113, 126

Life Communicators Association, 120

Life insurance companies (U.S.), 92-94
companies 100 years old, 93
dividends to stockholders, 65-66
employment, 95
first company in the United States, 114 (*See* "1759")
home office expenses, 65-66
mutual companies, 19, 65-66, 70, 92-94, 126
number, 92-94
operating expense, 65-66
(by) state, 93
stock companies, 19, 65-66, 70, 92-94, 127
tax payments, 65, 67

Life insurance company dollar, 65-66

Life insurance in force. *See* Ownership of life insurance

Life Insurance Marketing and Research Association, 118

Life insurance officials (state), 111

Life insurance organizations, 118-122

Life insurance ownership. *See* Ownership of life insurance

Life insurance personnel, 95

Life insurance underwriter. *See* Agent

Life Insurers Conference, 118

Life Office Management Association, 118

The Life Underwriter Training Council, 120

Limited payment life insurance, 12, 20, 126

Living benefits. *See* Benefits (payments to policyholders and annuitants)

Loss of income benefits (health insurance), 51

M

Mass-marketed insurance, 26-27

Matured endowments, 41-42, 47, 49

McCarran-Ferguson Act, 116 (*See* "1945")

Medical expense benefits, 51

Medicare, 115 (*See* "1935")

Million Dollar Round Table, 120

Modified life plans, 12

Mortality table, 112-113, 126

Mortgage insurance, 26, 32

Mortgages. *See* Assets—mortgages

Multiple employer trusts, 26, 32

Mutual life insurance companies, 19, 65-66, 70, 92-94, 126

N

National Association of Insurance Commissioners, 121

National Association of Life Companies, 118

National Association of Life Underwriters, 120

National Fraternal Congress of America, 105, 122

National Fund for Medical Education, 98

National Insurance Association, 118

National Service Life Insurance, 104

National Service Life Insurance Act, 115 (*See* "1940")

Nonfarm conventional mortgages, 77, 83-85

Noninsured pension plans, 52-54

Nonsales personnel, insurance business, 95

Norris vs. Arizona, 117 (See "1983")

O

OASDI, 52-54, 115 (*See* "1935")

Obligations, 69-70

Old-Age, Survivors and Disability Insurance, 52-54, 115 (*See* "1935")

Operating expense, 65-66

Ordinary life insurance, 5, 6, 8-29, 43-48, 58, 60-62, 102-103, 126
- applications, 102-103
- benefit payments, 44-46
- declinations, 102-103
- extra-risk, 102-103
- lapses and surrenders, 58
- mass-marketed, 26-27
- ownership, 5, 6, 15-29
  - (by) geographic division, 19
  - (by) state, 18
  - (by) type of policy, 20-21
- policy reserves, 68-70
- policy size (average), 21-22
- premium income, 60-62
  - first-year, 62
  - renewals, 62
  - single, 62
- purchases, 5, 6-14
  - (by) state, 9
- ratio of premiums to disposable personal income, 61
- standard risk, 102-103
- voluntary termination rate, 59

Ownership of life insurance, 5, 6, 7, 15-38, 104-108
- (by) adults, 36-38
- (in) Australia, 106-107
- (in) Austria, 107
- average size policy in force, 21-23
- (in) Belgium, 106-107
- (in) Brazil, 106-107
- (in) Cameroon, 107
- (in) Canada, 106-108
- (in) Chile, 107
- (in) China (Taiwan), 107
- (in) Costa Rica, 107
- (in) Denmark, 106-107
- (in) Egypt, 107

extra-risk, 102-103
(per) family, 5, 6, 15, 22-23
(by) region, 23
(by) state, 23
(by) family status, 36-37
coverage, type of, 36-37
family, type of, 36-37
(in) Fiji, 107
(in) Finland, 106-107
foreign countries, 106-108
(in) France, 106-107
fraternal life insurance, 105
(by) geographic division, 19
(in) Germany (F.R.), 106-107
(in) Guatemala, 107
(in) Honduras, 106-107
(in) Iceland, 106-107
(in) India, 106-107
(in) Indonesia, 106-107
(per) insured family, 5, 15, 22, 36-37
(in) Ireland, 106-107
(in) Israel, 107
(in) Italy, 106-107
(in) Japan, 106-107
(in) Korea, 106-107
(in) Luxembourg, 107
(in) Malaysia, 107
(in) Mexico, 107
(in) Netherlands, 106-107
(in) New Zealand, 107
(in) Nicaragua, 107
(in) Norway, 106-107
number of policyholders, 15
(in) Pakistan, 106-107
(in) Paraguay, 107
(in) Peru, 107
(in) Philippines, 106-107
(by) plan of insurance, 20-21
(in) Poland, 107
(in) Portugal, 107
ratio to national income, various countries, 106
related to disposable personal income, 15, 22
savings bank life insurance, 105
(in) South Africa, 106-107
(in) Spain, 106-107
standard risk, 102-103
(by) state, 15, 18, 23
(in) Sweden, 106-107
(in) Tanzania, 106-107
(in) Thailand, 106-107
(in) Tunisia, 106-107
(by) type of insurance, 15-37
credit, 5, 16-21, 35
group, 5, 16-21, 30-32
(by) type of group, 31-32
industrial, 5, 16-21, 33-34
ordinary, 5, 16-21, 25-29
(in) United Kingdom, 106-107
(in) the United States, 15-37, 106-107
(in) U.S. life insurance companies, 23, 24, 25, 28-29, 30, 33-35
(in) Venezuela, 107
veterans life insurance, 104-105
(in) Zambia, 106-107

P

Paid-up insurance, 20, 126

Participating life insurance, 19, 126

Payments to policyholders and beneficiaries. *See* Benefits

Pension plans, government-administered, 52-54
benefit payments, 52-54
federal civilian employee plans, 52-54
Old-Age, Survivors and Disability Insurance, 52-54
persons covered, 52-54
Railroad Retirement System, 52-54
state and local government employee plans, 52-54

Pension plans, with life insurance companies, 55-57
considerations, 55-57
deferred group annuities, 55-57, 124
deposit administration group annuities, 55-57, 124
group permanent life insurance plans, 55-57
HR 10 (Keogh) plans, 55-57
individual policy pension trusts, 55-57, 125
Individual Retirement Accounts, 55, 57
ownership, 5
payments into plans in year, 57
payments to persons covered, 57
persons covered, 53, 55, 57
plans, 55, 57
reserves, 55-57
separate account reserves, 55-57
terminal funded group plans, 55-57

Pension plans, non-life insurance company, 53-55

Personnel in insurance, 95

Policy dividend. *See* Dividends to policyholders

Policy loan, 5, 72, 74-77, 127

Policyholders, number, 6, 15, 21

Preferred stocks, 71, 74, 77, 81-82, 91

Premium, 5, 59-64, 127
(of) Canadian life companies, 109
due and deferred, 90
extra-risk, 102-103
fraternal life insurance, 105
ordinary
first-year, 62
renewals, 62
single, 62
ratio to disposable personal income, 59, 61
savings bank life insurance, 105
taxes, 67
veterans life insurance, 104

Premium receipts. *See* Premium

Primary coverage (group life insurance), 31-32

Protection. *See* Ownership of life insurance

Purchases, 5, 6, 8-14
average size ordinary policy, 11, 13
extra-risk, 102-103
number of policies, 10, 13
(by) type of insurance, 5, 8-14
group, 5, 8, 10, 14, 30-31
dependent's coverage, 31
industrial, 5, 8-10, 14
ordinary, 5, 8-14
(by) age of insured, 12
(by) income of insured, 12
(by) plan of insurance, 12
(by) sex of insured, 12
(by) size of policy, 12
(by) state, 9
(in) U.S. life companies, 14

R

Real estate. *See* Assets—real estate

Real estate mortgage loans. *See* Assets—mortgages

Real estate taxes, 67

Relationship of beneficiaries to insured, 46

Reserves, 68-70, 127
(of) mutual companies, 70
separate accounts, 57, 69, 82, 91
(of) stock companies, 70

Retirement Equity Act of 1984, 117 (*See* "1984")

Retirement income plans, 12, 20-21, 41-42, 47-48

S

Sales of life insurance. *See* Purchases

Sales personnel, insurance business, 95

Savings bank life insurance, 105

Selection of risks, 102-103

Separate account, 55, 57, 69, 82, 91, 127

Servicemen's Group Life Insurance (SGLI), 5, 10, 104-105, 116 (*See* "1965")

Settlement options, 46-48, 127. *See also* Supplementary contract

Siamese twins, *See* Coinsurance

Social Security, 52-54, 115 (*See* "1935")

Society of Actuaries, 102, 121

State and local taxes, 67

State insurance officials, 111

State, provincial or local bonds. *See* Assets—government securities

State taxes on premiums, 67

Stock life insurance companies, 19, 65-66, 70, 92-94, 127

Stockholder dividends, 65-66

Stocks, 5, 71-77, 80-82, 91

Straight life insurance, 12, 20, 128

Students, insurance on, 25, 32

Substandard life insurance, 102-103

Supplementary contract, 37, 50, 69, 127
benefits set aside, 50
payments, 50
reserves, 69

Surgical expense benefits, 51

Surplus funds, 69-70

Surrender values, 41-42, 48-49

Surrenders, 58

Survivor benefits, 31. *See also* Group life insurance—benefit payments

T

Tax Reform Act of 1984, 117 (*See* "1984")

Taxes, licenses and fees (life insurance companies), 67
- federal income, 67
- real estate, 67
- Social Security, 67
- state and local, 67

Temporary National Economic Committee investigation, 115 (*See* "1939")

Term insurance, 13-14, 20-21, 27, 128

Terminations, 58

U

Unisex insurance rates (Montana), 117 (*See* "1985")

United States Total Population Mortality Table (1979-1981), 112-113

Universal life insurance, 6, 12-13, 28-29, 128

V

Variable annuity, 40, 116 (*See* "1952"), 128

Variable life insurance, 6, 12-13, 28-29, 128

V.A. mortgages, 77, 83-86

Veterans' Group Life Insurance (VGLI), 104-105

Veterans life insurance, 104-105

Voluntary termination rate, 59

W

Whole life insurance, 12-13, 20-21, 27, 128

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